LS 黎氏建築 Lai Si Construction

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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2266)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

*(in Macau Pataca ("**MOP**") thousand, unless otherwise stated)*

	2017	2016	Year-on-year increase/ (decrease)
Revenue	**274,400**	287,677	(4.6%)
Gross profit	**57,506**	73,927	(22.2%)
Gross profit margin	**21.0%**	25.7%	(4.7%)
Profit attributable to owners of the Company (excluding listing expenses)	**21,098**	44,317	(52.4%)
Listing expenses	**3,013**	14,081	(78.6%)
Profit attributable to owners of the Company	**18,085**	30,236	(40.2%)
Equity attributable to owners of the Company	**195,218**	67,624	188.7%
Basic earnings per share *(MOP cents)*	**4.6**	10.1	(54.5%)

FINAL DIVIDEND

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

The board (the "**Board**") of directors (the "**Directors**") of Lai Si Enterprise Holding Limited (the "**Company**") is pleased to announce the audited consolidated financial information of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with the comparative figures for the corresponding year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Notes	***MOP'000***	*MOP'000*
Revenue	*3*	**274,400**	287,677
Cost of sales		**(216,894)**	(213,750)
Gross profit		**57,506**	73,927
Other income, gains and losses	*5*	**741**	1,096
Administrative expenses		**(33,330)**	(22,497)
Listing expenses		**(3,013)**	(14,081)
Finance costs	*6*	**(3,107)**	(2,265)
Profit before taxation		**18,797**	36,180
Income tax expense	*7*	**(712)**	(5,944)
Profit and total comprehensive income for the year attributable to owners of the Company	*8*	**18,085**	30,236
Earnings per share			
Basic *(MOP cents)*	*10*	**4.6**	10.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 *MOP'000*	2016 *MOP'000*
Non-current assets			
Property, plant and equipment		**88,766**	76,558
Current assets			
Trade and other receivables	*11*	**86,654**	94,038
Amounts due from directors		**488**	41,508
Amount due from ultimate holding company		**1**	1
Amount due from a related party		**17,922**	–
Amounts due from customers for contract work	*12*	**66,178**	60,601
Pledged bank deposits		**9,538**	1,732
Bank balances and cash		**100,964**	10,246
		281,745	208,126
Current liabilities			
Trade and other payables	*13*	**66,126**	80,386
Amount due to a director		**–**	667
Amount due to a related party		**67**	–
Amounts due to customers for contract work	*12*	**1,632**	6,798
Tax payable		**3,190**	23,168
Bank overdrafts		**35,559**	7,568
Bank borrowings	*14*	**68,719**	98,473
		175,293	217,060
Net current assets (liabilities)		**106,452**	(8,934)
Total assets less current liabilities		**195,218**	67,624
Net assets		**195,218**	67,624
Capital and reserves			
Share capital	*15*	**4,120**	86
Reserves		**191,098**	67,538
		195,218	67,624

NOTES

1. GENERAL INFORMATION AND REORGANISATION AND BASIS OF PRESENTATION

General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 February 2017. The Company's registered office is located at Cricket Square, Hutchins Drive, P. O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business is located at Macau Lai Si Enterprise Centre, Rua Da Ribeira Do Patane No. 54, Macau. The Company acts as an investment holding company and its subsidiaries are engaged in fitting-out works, construction works and provision of repair and maintenance services.

The Group's principal operations are conducted in Macau and Hong Kong. The consolidated financial information is presented in MOP which is the same as the functional currency of the Company.

Reorganisation and basis of presentation of the financial information

The companies now comprising the Company and its subsidiaries (the "**Group**") underwent a 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 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 as a business combination involving businesses under common control. For the purpose of presenting the consolidated financial information of the entities comprising the Group for the year ended 31 December 2016 which is before the completion of the Reorganisation, the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") has been applied.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2017 and 2016 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the years ended 31 December 2017 and 2016 or since the respective dates of incorporation, which is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016 had been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taken into account the respective dates of incorporation.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

Amendments to HKAS 7 *Disclosure Initiative*

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

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

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

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

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

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

[4] Effective for annual periods beginning on or after 1 January 2021.

3. REVENUE

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

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

	Year ended 31 December	
	2017	2016
	MOP'000	*MOP'000*
Contract revenue from fitting-out, alteration and addition works	**236,131**	280,076
Contract revenue from construction works	**35,335**	5,659
Repair and maintenance services	**2,934**	1,942
	274,400	287,677

4. SEGMENT INFORMATION

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

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

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

(b) Construction works; and

(c) Repair and maintenance services.

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

Segment revenue and results

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

For the year ended 31 December 2017

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

For the year ended 31 December 2016

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

Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include other income, gains and losses, certain administrative expenses, listing expenses and finance costs.

Geographical information

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

	Revenue	
	2017	2016
	MOP'000	*MOP'000*
Macau	**190,715**	286,774
Hong Kong	**83,685**	903
	274,400	287,677

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

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

5. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	MOP'000	*MOP'000*
Bank interest income	**605**	–
Government subsidies	**111**	–
Imputed interest income (Note)	**–**	743
Loss on dissolution of an associate company	**–**	(40)
Net exchange (loss) gain	**(250)**	406
Provision for trade receivables	**(79)**	(88)
Others	**354**	75
	741	1,096

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

6. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	MOP'000	*MOP'000*
Interest on bank borrowings and bank overdrafts	**3,107**	2,265

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	MOP'000	*MOP'000*
The income tax expense comprises:		
Macau Complementary Tax		
– current year	**2,403**	5,944
– overprovision in prior years	**(2,722)**	–
Hong Kong Profits Tax		
– current year	**1,031**	–
	712	5,944

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

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

8. PROFIT FOR THE YEAR

	Year ended 31 December	
	2017	2016
	MOP'000	*MOP'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,200**	412
Depreciation of property, plant and equipment	**1,288**	479
Directors' emoluments		
– fees	**150**	–
– other emoluments	**5,408**	4,464
	5,558	4,464
Fitting-out, alteration and addition works	**192,897**	207,989
Construction works	**22,398**	4,564
Contract costs recognised as expense	**215,295**	212,553
Staff costs		
Gross staff costs (including directors' emoluments)	**65,161**	60,436
Less: Staff costs capitalised to contract costs	**(41,447)**	(47,010)
	23,714	13,426
Minimum operating lease payments	**457**	329

9. DIVIDEND

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

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

10. EARNINGS PER SHARE

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

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

11. TRADE AND OTHER RECEIVABLES

	At 31 December 2017 *MOP'000*	At 31 December 2016 *MOP'000*
Trade receivables	**49,605**	52,811
Retention receivables	**21,410**	25,314
Deferred listing expenses	**–**	3,963
Other receivables, prepayment and deposits	**15,639**	11,950
Total trade and other receivables	**86,654**	94,038

Trade receivables

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

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

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

As at 31 December 2017, included in the Group's trade receivables balances were receivables with aggregate carrying amount of MOP17,967,000 (2016: MOP19,702,000), which were past due at the end of each reporting period for which the Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable. Accordingly, the directors of the Company believe that no impairment loss was required. The Group does not hold any collateral over these balances.

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

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

Retention receivables

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

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

	At 31 December 2017 *MOP'000*	At 31 December 2016 *MOP'000*
On demand or within one year	**10,227**	19,636
After one year	**11,183**	5,678
	21,410	25,314

Included in Group's retention receivables balances as at 31 December 2017 were receivables with aggregate carrying amount of MOP4,920,000 (2016: MOP3,331,000), which were past due at the end of each reporting period for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

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

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

	At 31 December 2017 *MOP'000*	At 31 December 2016 *MOP'000*
Contracts in progress at the end of each reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**683,285**	430,338
Less: Progress billings	**(618,739)**	(376,535)
	64,546	53,803
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**66,178**	60,601
Amounts due to customers for contract work	**(1,632)**	(6,798)
	64,546	53,803

As at 31 December 2017, retention receivables held by customers for contract work amounting to MOP21,410,000 (2016: MOP25,314,000), were set out in Note 11.

13. 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 31 December 2017 *MOP'000*	At 31 December 2016 *MOP'000*
Trade payable	**44,265**	32,232
Retention payable *(Note)*	**3,822**	3,293
Accruals and other payables	**18,039**	44,861
Total trade and other payables	**66,126**	80,386

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

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

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

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

	At 31 December 2017 *MOP'000*	At 31 December 2016 *MOP'000*
On demand or within one year	**3,822**	3,293

14. BANK BORROWINGS

	At 31 December 2017 MOP'000	At 31 December 2016 MOP'000
Variable-rate bank borrowings *(Note a)*	**68,719**	98,473
Carrying amounts repayable *(Note b)*:		
On demand or within one year	**10,055**	35,998
More than one year, but not exceeding two years	**3,958**	3,895
More than two years, but not exceeding five years	**12,441**	12,222
More than five years	**42,265**	46,358
	68,719	98,473
Less: Amounts shown under current liabilities	**(68,719)**	(98,473)
Amounts shown under non-current liabilities	**–**	–

Notes:

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

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

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

The Group's borrowings are denominated in both MOP and HK$. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds.

15. SHARE CAPITAL

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

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

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.

Business review

The Group provides services of (i) fitting-out works as an integrated fitting-out contractor; (ii) construction works as a main contractor; and (iii) repair and maintenance services in Macau and Hong Kong. During the year ended 31 December 2017, all of the Group's revenue was derived in Macau and Hong Kong and the Group undertook projects from both private and public sectors.

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

The Group's revenue comprised of (a) fitting-out works; (b) construction works; and (c) repair and maintenance services. During the year ended 31 December 2017, the total value for the new fitting-out projects awarded to the Group, representing the aggregate awarded contract sum, amounted to approximately MOP205.7 million as compared to the year ended 31 December 2016 of approximately MOP153.3 million. As at 31 December 2017, the Group had an aggregate value of backlog for fitting-out projects and construction projects of approximately MOP42.4 million as compared to approximately MOP107.8 million for the year ended 31 December 2016.

Financial review

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

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

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

The Group's fitting-out projects can be broadly divided into three categories by type of customers, namely (i) hotel and casino; (ii) retail shop and restaurant; and (iii) others, such as the Macau Government. The following table sets forth a breakdown of the Group's revenue attributable to fitting-out works during the years ended 31 December 2017 and 2016 by type of customers:

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

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

The increase in revenue of construction works was mainly attributable to the increase in revenue derived from heritage conservation of approximately MOP18.7 million or approximately 4.2 times and increase in revenue from general construction of approximately MOP11.0 million or approximately 9.1 times as compared to the previous year.

Gross profit

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

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

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

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

Other income, gains and losses

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

Administrative expenses

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

Listing expenses

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

Finance costs

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

Income tax expense

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

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

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

Basic earnings per share

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

Final dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Macau. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

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

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

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

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

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

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

The Group's borrowings are denominated in both MOP and Hong Kong dollar ("**HK$**"). These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by a legal charge over an office building held by the Group (included in property, plant and equipment), pledged bank deposits and promissory notes endorsed by Lai Si and Well Team which were guaranteed by the Company.

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

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

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

Charge on the Group's assets

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

Contingent liabilities and capital commitments

In October 2012, one of the supporting pillars of the residential building called "Sin Fong Garden Building" collapsed due to the loss of stability. Such collapse was caused to be accused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK$49.0 million, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisors and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

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

Up to the date of this announcement, the proceedings are still awaiting to be scheduled for the trial hearings. After consulting the legal advisers of the Company as to Macau Laws, the Directors are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and hence no provision is made to the consolidated financial information. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

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

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

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

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

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, bank overdrafts and bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Credit exposure

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

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

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

The Group is exposed to concentration of credit risk as at 31 December 2017 on trade and retention receivables from the Group's five major customers amounting to approximately MOP28.0 million (2016: MOP61.5 million) and accounted for approximately 40.0% (2016: 79.0%) of the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

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

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

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

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

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contribution and hard work.

The Group's gross staff costs from operations (including the directors' emoluments) was MOP65.1 million for the year ended 31 December 2017 (2016: MOP60.4 million).

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

The net proceeds from the Placing and Public Offer (the "**Share Offer**") (as defined in the Company's prospectus 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	14.0	35.4
Finance construction projects in Macau	17.9	8.0	9.9
Finance the start-up costs of fitting-out business in Hong Kong	9.0	9.0	0
Hire additional staff for the Group's business operation	4.5	2.0	2.5
General working capital	9.0	9.0	0
	89.8	42.0	47.8

As at 31 December 2017, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group.

PROSPECTS AND STRATEGIES

The Group remains cautiously optimistic of the fitting-out industry in Macau and Hong Kong.

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

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

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

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has complied with all the provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, save for code provision A.1.1 as mentioned below.

Code provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2017, though the Board had held five meetings, only two of which were regular meetings. The Board has not held regular quarterly meetings as the Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

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 during the year ended 31 December 2017.

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 annual results of the Company for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial information for the year ended 31 December 2017. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.lai-si.com). The annual report for the year ended 31 December 2017 containing all the information required by the Listing Rules will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited and despatched to the shareholders in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support during the year ended 31 December 2017.

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

Macau, 29 March 2018

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.