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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 2018

FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June 2018 (Unaudited)		2017 (Unaudited)	Percentage increase/ (decrease)
Revenue	71,205		112,235	(36.6%)
Gross profit	10,783		33,855	(68.1%)
Gross profit margin	15.1%		30.2%	(15.1%)
(Loss) profit attributable to owners of the Company (excluding listing expenses)	(9,907)		13,576	(173.0%)
Listing expenses	–		3,013	(100.0%)
(Loss) profit attributable to owners of the Company	(9,907)		10,563	(193.8%)
(Loss) earnings per share (<i>MOP cents</i>)	(2.5)		2.8	(189.3%)
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	Percentage increase	
Equity attributable to owners of the Company	205,464	195,218	5.2%	

INTERIM DIVIDEND

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

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 2018 together with the comparative figures for the corresponding six months ended 30 June 2017 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	<i>NOTES</i>	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Non-current assets			
Property, plant and equipment	9	84,903	88,766
Investment properties	10	26,780	—
		111,683	88,766
Current assets			
Trade and other receivables	11	44,220	86,654
Contract assets	12	95,484	—
Amounts due from customers for contract work		—	66,178
Amount due from a director	13(a)	569	488
Amount due from ultimate holding company	13(b)	1	1
Amount due from a related party	13(c)	14,118	17,922
Pledged bank deposits		3,600	9,538
Bank balances and cash		79,924	100,964
		237,916	281,745
Current liabilities			
Trade and other payables	14	32,740	66,126
Contract liabilities		2,169	—
Amounts due to customers for contract work		—	1,632
Amount due to a related party	13(c)	82	67
Tax payable		3,190	3,190
Bank overdrafts		36,394	35,559
Bank borrowings	15	66,765	68,719
		141,340	175,293
Net current assets		96,576	106,452
Total assets less current liabilities		208,259	195,218
Non-current liability			
Deferred tax liabilities		2,795	—
Net assets		205,464	195,218
Capital and reserves			
Share capital	16	4,120	4,120
Reserves		201,344	191,098
		205,464	195,218

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL INFORMATION

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

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

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

2. REORGANISATION AND BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The companies now comprising the Company and its subsidiaries (the “**Group**”) underwent a group reorganisation (the “**Reorganisation**”). Prior to the Reorganisation, the entire equity interests of Lai Si Construction & Engineering Company Limited (“**Lai Si**”), Well Team Engineering Company Limited (“**Well Team**”) and Lai Si Construction (Hong Kong) Company Limited (“**Lai Si (HK)**”) were directly held by four individuals, namely Mr. Lai Ieng Man, Mr. Lai Meng San, son of Mr. Lai Ieng Man, Ms. Lai Ieng Wai and/or Ms. Lai Ieng Fai, daughters of Mr. Lai Ieng Man on behalf of the family of Mr. Lai Ieng Man. Lai Si, Well Team and Lai Si (HK) were beneficially and wholly owned by the family members of Mr. Lai Ieng Man collectively as the controlling shareholders (the “**Controlling Shareholders**”). For the details of the Reorganisation, please refer to note 2 to the Consolidated Financial Statements in the Group’s 2017 Annual Report.

The Reorganisation was completed on 23 January 2017. Since Constructor Civil Lai Ieng Man, Lai Si, Well Team and Lai Si (HK) were under common control by the Controlling Shareholders, the Business Transfer and the equity transfer of Lai Si, Well Team and Lai Si (HK) have been considered for as a business combination involving businesses under common control. For the purpose of presenting the condensed consolidated financial statements of the entities comprising the Group for the six months ended 30 June 2017 which is before the completion of the Reorganisation, the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) have been applied as if the Reorganisation had been completed on 1 January 2017.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six months ended 30 June 2017 had been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the six months ended 30 June 2017 or since the respective dates of incorporation, which is a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

New accounting policy

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

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

Investment properties

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

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

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

Application of new and amendments to HKFRSs

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

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

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

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

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

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

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

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

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

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

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

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

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

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

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

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

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

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

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

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

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

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

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

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

4A. REVENUE

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

For the six months ended 30 June 2018

	Fitting-out, alteration and addition works <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)
Geographical markets				
Macau	33,459	2,609	1,180	37,248
Hong Kong	33,957	–	–	33,957
Total	67,416	2,609	1,180	71,205

4B. SEGMENT INFORMATION

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

For the six months ended 30 June 2018

	Fitting-out, alteration and addition works <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	67,416	2,609	1,180	71,205
Segment results	12,216	(2,972)	584	9,828
Corporate expenses				(18,355)
Other income, gains and losses				4
Finance costs				(1,384)
Loss before taxation				(9,907)

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	<u>88,392</u>	<u>22,437</u>	<u>1,406</u>	<u>112,235</u>
Segment results	<u>24,239</u>	<u>5,412</u>	<u>767</u>	30,418
Corporate expenses				(15,702)
Other income, gains and losses				149
Listing expenses				(3,013)
Finance costs				<u>(1,380)</u>
Profit before taxation				<u>10,472</u>

5. INCOME TAX CREDIT

Six months ended 30 June

2018	2017
<i>MOP'000</i>	<i>MOP'000</i>
(unaudited)	(unaudited)

The income tax credit comprises:

Macau Complementary Tax		
– current period	–	(2,096)
– overprovision in prior years	–	2,187
	<u>–</u>	<u>91</u>

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

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

6. (LOSS) PROFIT FOR THE PERIOD

Six months ended 30 June
2018 2017
MOP'000 **MOP'000**
(unaudited) **(unaudited)**

(Loss) profit for the period has been arrived at after charging (crediting):

Net exchange loss (gain)	605	(3)
Bank interest income	(975)	(6)
Donation	38	1,030
Depreciation of property, plant and equipment	1,185	241
Provision of loss allowance	954	–
Written back of provision of doubtful debts	(388)	–
Directors' emoluments		
– fees	63	–
– other emoluments	2,704	3,148
	2,767	3,148
Staff costs		
Gross staff costs (including directors' emoluments)	21,785	32,636
Less: Staff costs capitalised to contract costs	(10,497)	(20,835)
	11,288	11,801

7. DIVIDEND

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

8. (LOSS) EARNINGS PER SHARE

Six months ended 30 June
2018 2017
MOP'000 **MOP'000**
(unaudited) **(unaudited)**

(Loss) earnings:

(Loss) earnings for the purpose of basic earnings per share	(9,907)	10,563
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Number of shares:

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

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

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

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

10. INVESTMENT PROPERTIES

	Investment properties MOP'000
At 1 January 2018 (audited)	–
Transfer from property, plant and equipment (<i>note 9</i>)	<u>26,780</u>
At 30 June 2018 (unaudited)	<u><u>26,780</u></u>

The investment properties are all situated in Macau.

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

Trade receivables

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

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

Allowance for impairment

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

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

Retention receivables

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

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

Allowance for impairment

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

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

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

12. CONTRACT ASSETS

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

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

Allowance for impairment

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

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

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

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

(a) Amount due from a director:

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

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

(b) Amount due from ultimate holding company

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

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

	At 30 June 2018 <i>MOP'000</i> (unaudited)	At 31 December 2017 <i>MOP'000</i> (audited)
Combo Restaurant Management Company Limited (“ Combo Restaurant ”) (<i>Notes a and b</i>)	(82)	(67)
Treasure Lake Barbecue King Limited (“ Treasure Lake ”) (<i>Notes a and c</i>)	14,118	17,922
	14,036	17,855

Analysed for reporting purposes as:

Amount due from a related party	14,118	17,922
Amount due to a related party	(82)	(67)
	14,036	17,855

Notes:

- (a) The Controlling Shareholders of the Company have beneficial interest over these related companies.
- (b) The balance is trade in nature with credit period of 30 days and is within the credit period based on the invoice date at the end of the reporting period.
- (c) The balance is trade in nature with credit period of 30 days and the ageing analysis presented based on the invoice date at the end of the reporting period is as follows:

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

Allowance for impairment

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

Trade payables

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

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

Retention payables

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

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

15. BANK AND OTHER BORROWINGS

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

16. SHARE CAPITAL

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

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

	<i>Notes</i>	Number of shares	Share capital <i>MOP'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2017	<i>a</i>	38,000,000	391
Increase in authorised share capital	<i>b</i>	962,000,000	9,909
At 30 June 2017, 1 January 2018 and 30 June 2018 (unaudited)		<u>1,000,000,000</u>	<u>10,300</u>
Issued:			
At 1 January 2017	<i>a</i>	50,000	1
Issue of shares pursuant to public 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, 1 January 2018 and 30 June 2018 (unaudited)		<u>400,000,000</u>	<u>4,120</u>

Notes:

- The Company was incorporated on 1 June 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 (equivalent to MOP391,000) divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, 50,000 ordinary shares of HK\$0.01 (equivalent to MOP1.03 cents) each were allotted, issued and fully paid to an initial subscriber.
- On 18 January 2017, written resolutions of the sole shareholder of the Company were passed to approve the increase of authorised share capital of the Company from HK\$380,000 (equivalent to MOP391,000) to HK\$10,000,000 (equivalent to MOP10,300,000) by the creation of an additional 962,000,000 shares of HK\$0.01 (equivalent to MOP1.03 cents) each.
- 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.
- On 10 February 2017, total of 299,950,000 ordinary shares were allotted and issued, credited as fully paid at par, to SHKMCL, the sole shareholder, by way of capitalisation of a sum of HK\$2,999,500 (equivalent to MOP3,089,000) standing to the credit of the share premium account of the Company, and that such shares to be allotted and issued, as nearly as possible, without involving fractions, and such share to rank pari passu in all respects with the then existing issued shares of the Company.

17. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	At 30 June 2018 <i>MOP'000</i> (unaudited)	At 31 December 2017 <i>MOP'000</i> (audited)
Within one year	562	176
In the second to fifth year inclusive	246	—
	<u>808</u>	<u>176</u>

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

The Group as lessor

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

	At 30 June 2018 <i>MOP'000</i> (unaudited)	At 31 December 2017 <i>MOP'000</i> (audited)
Within one year	912	—
In the second to fifth year inclusive	1,385	—
	<u>2,297</u>	<u>—</u>

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

18. PLEDGE OF ASSETS

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

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

19. PERFORMANCE BONDS

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

20. RELATED PARTY TRANSACTIONS

(a) Transactions

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

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

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

(b) Balances

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

21. CONTINGENT LIABILITIES

In October 2012, one of the supporting pillars of the residential building called “Sin Fong Garden Building” collapsed due to the loss of stability. Such collapse was accused to be caused by the dismantlement and construction of the foundation work undertaken in an adjacent new residential building project, of which Lai Si was one of the contractors. As a result, in September 2015, several flat owners of Sin Fong Garden Building filed a lawsuit against several defendants including Lai Si, seeking for a compensation for the loss of property, in a total sum of approximately HK\$48,950,000, to be borne jointly by the defendants. However, according to the report issued by the team of technical advisers and experts engaged by the Macau Government to study the causes of the incident, the collapse of Sin Fong Garden Building was caused by the substandard supporting pillars of Sin Fong Garden Building, instead of the dismantlement and foundation work undertaken in the adjacent new residential building.

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

Up to the date of issuance of the condensed consolidated financial statements, the proceedings are scheduled for the trial hearings and the dates are yet to be confirmed. After consulting the Group’s lawyer, the directors of the Company are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and hence no provision is made to the condensed consolidated financial statements. The Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

BUSINESS REVIEW

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

The Company and its subsidiaries (collectively, the “**Group**”) provide services of (i) fitting-out works as an integrated fitting-out contractor; (ii) construction works as a main contractor; and (iii) repair and maintenance services, mainly in Macau. During the six months ended 30 June 2018, all of the Group's revenue was derived from Macau and Hong Kong and the Group undertook projects from both private and public sectors.

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Gross profit and gross profit margin

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

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

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

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

Other income, gains and losses

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

Administrative expenses

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

Listing expenses

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

Finance costs

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

Income tax credit

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

Loss for the period attributable to owners of the Company

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

(Loss) earnings per Share

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

Interim dividend

The Board resolved not to declare payment of any interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

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

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

As at 30 June 2018, the Group had net current assets of approximately MOP96.6 million, decreased by approximately MOP9.9 million over the net current assets of approximately MOP106.5 million as recorded at 31 December 2017.

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

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

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

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

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

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

Charge on the Group's assets

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

Contingent liabilities and capital commitments

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

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

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

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

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

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

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

Interest rate risk

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

Credit exposure

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

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

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

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

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

The Group is exposed to concentration of credit risk as at 30 June 2018 on trade and retention receivables from the Group's five major customers amounting to approximately MOP11.6 million (31 December 2017: MOP28.0 million) and accounted for approximately 39.0% (31 December 2017: 40.0%) of the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

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

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

The Group's gross staff costs from operations (including the directors' emoluments) was MOP21.8 million for the six months ended 30 June 2018 (30 June 2017: MOP32.6 million).

The Company adopted a share option scheme 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, 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.

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

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

PROSPECTS AND STRATEGIES

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

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

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

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

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

INTERIM DIVIDEND

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

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

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

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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 throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee of the Company 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 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The interim results for the six months ended 30 June 2018 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 website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.lai-si.com). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be published on the above websites 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 2018.

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

Macau, 27 August 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 Ms. LAM Mei Fong.