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Space Group Holdings Limited
恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2448)

PROPOSED CHANGE OF AUDITORS

The Board announces that, subject to the passing of the relevant resolutions at the EGM, KPMG shall be removed as the auditors of the Group and PwC shall be appointed as the new auditors of the Group to fill the vacancy arising from the removal of KPMG and hold office until the conclusion of the next annual general meeting of the Company.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. A circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, is expected to be dispatched to the Shareholders on or before 24 January 2020.

INTRODUCTION

This announcement is made by Space Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board (the “**Board**”) of directors (“**Directors**”) of the Company announces that, subject to the passing of the relevant resolutions at an extraordinary general meeting of the Company (the “**EGM**”) to be convened and held, KPMG shall be removed as the auditors of the Group (the “**Proposed Removal**”) and PricewaterhouseCoopers (“**PwC**”) shall be appointed as the new auditors of the Group (the “**Proposed Appointment**”) to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

PROPOSED REMOVAL OF AUDITORS

KPMG was re-appointed as auditors of the Group at the last annual general meeting of the Company held on 25 June 2019 to hold office until the conclusion of the next annual general meeting of the Company.

However, the Company and KPMG were unable to reach a consensus on the audit fee of KPMG for the financial year ended 31 December 2019 and other service fee. After considering the facts and circumstances, the audit committee of the Company, having been delegated the power to oversee the cost effectiveness of the external auditors, was of the view that it would be in the best interest of the Company and its shareholders (the “Shareholders”) as a whole to replace KPMG with another big-four accounting firm. The audit committee also made a recommendation to the Board to seek the approval of the Shareholders regarding the Proposed Removal of KPMG as the auditors of the Company and any of its subsidiaries.

The Board is of the view that the Proposed Removal would enable the Company to carry out effective cost control and reduce overall operating expenses of the Company to better cope with the future business development of the Group and is in the best interest of the Company and its Shareholders as a whole. The Proposed Removal is subject to the passing of a special resolution at the EGM pursuant to the articles of association of the Company (the “Articles”).

On 20 and 27 November 2019, PwC had respectively sent the first and second request letters to confirm with KPMG if there were any professional or other reasons why they should not accept the nomination as auditor of the Company and its subsidiaries. Up to the date of this announcement, PwC did not receive any written reply from KPMG regarding the request letters.

On 11 December 2019, the Company tried to arrange a conference call to confirm with KPMG to confirm if they have any professional issues that they may need to bring to the attention of the Board of Directors of the Company and PwC. However, KPMG replied on 8 January 2020 that they would propose other available timeslots for the call, but then with no further reply up to the date of this announcement.

Up to and until the date of this announcement, the Company has not received any other written representations from KPMG, nor has it received any other confirmation on change of auditors from KPMG notifying the Company of any matters that need to be brought to the attention of the Shareholders save as those matters disclosed in this announcement.

To the best of the Directors’ knowledge, information and belief, save as disclosed above, there are no other circumstances or matters in connection with the Proposed Removal that need to be brought to the attention of the Shareholders.

PROPOSED APPOINTMENT OF AUDITORS

The Board, with the recommendation of the audit committee of the Company, further proposes to appoint PwC as auditors of the Group to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

The Proposed Appointment of PwC as auditors of the Group in place of KPMG is subject to the passing of an ordinary resolution at the EGM pursuant to the Articles.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Article 152(2), the Shareholders may, at any general meeting convened and held in accordance with the Articles, by special resolution remove the auditor of the Company at any time before the expiration of its term of office and shall by ordinary resolution at that meeting appoint another auditor in its stead for the remainder of its term.

Pursuant to Rule 13.88 of the Listing Rules, (a) the Company must not remove its auditor before the end of the auditor's term of office without first obtaining Shareholders' approval at a general meeting; (b) the Company must send a circular proposing the removal of the auditor to the Shareholders with any written representations from the auditor not less than 10 business days before the general meeting; and (c) the Company must allow the auditor to attend the general meeting and make written and/or verbal representations to the Shareholders at the general meeting.

In compliance with the Articles and the Listing Rules, the Proposed Removal will be proposed at the EGM as a special resolution and the Proposed Appointment will be proposed at the EGM as an ordinary resolution.

Accordingly, the Company will, at the time of dispatch of the circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, to the Shareholders, also dispatch a copy to KPMG to invite them to attend the EGM to make written or verbal representations to the Shareholders at the EGM, if any.

The Board confirms that save as disclosed herein, there are no other matters in respect of the proposed change of auditors that need to be brought to the attention of the Shareholders.

THE EGM

The EGM will be convened on 11 February 2020 and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. For the purpose of ascertaining shareholders' entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from 4 February 2020 to 10 February 2020 (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 February 2020. A circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, is expected to be dispatched to the Shareholders on or before 24 January 2020.

By Order of the Board
SPACE GROUP HOLDINGS LIMITED
Che Chan U
Chairman

Hong Kong, 22 January 2020

As at the date of this announcement, the Board comprises Mr. Che Chan U, Ms. Lei Soi Kun and Mr. Wan Yee Sang as executive Directors; and Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun as independent non-executive Directors.