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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2448)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- For the six months ended 30 June 2019, the revenue of the Group amounted to approximately MOP266,155,000, representing an increase of approximately 12.3% as compared to the revenue of the corresponding period in 2018 (30 June 2018: MOP236,911,000), and the profit for the six months ended 30 June 2019 was approximately MOP33,857,000, while profit for the corresponding period in 2018 was approximately MOP29,677,000, representing an increase of approximately 14.1%.

- The Company's basic earnings per share for the six months ended 30 June 2019 was MOP5 cents (30 June 2018: MOP4 cents), representing an increase of MOP1 cent or 25.0% which is in line with the profit attributable to equity shareholders of the Company when compared to the six months ended 30 June 2018.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

The board (the "**Board**") of directors (the "**Directors**") of Space Group Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the six months ended 30 June 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the six months ended 30 June 2019
(Expressed in Macau Pataca)

	Note	Six months ended 30 June	
		2019	2018
			(Note)
		MOP'000	*MOP'000*
Revenue	*3*	**266,155**	236,911
Cost of sales		**(202,342)**	(180,956)
Gross profit		**63,813**	55,955
Other income		**765**	1,361
General and administrative expenses		**(20,554)**	(18,666)
Profit from operations		**44,024**	38,650
Finance costs		**(3,662)**	(2,548)
Profit before taxation	*4*	**40,362**	36,102
Income tax	*5*	**(6,505)**	(6,425)
Profit for the period		**33,857**	29,677
Attributable to:			
Equity shareholders of the Company		**33,857**	29,677
Non-controlling interests		**–**	–
Profit for the period		**33,857**	29,677
Earnings per share			
– Basic and diluted	*6*	**MOP0.05**	MOP0.04

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2019
(Expressed in Macau Pataca)

		Six months ended 30 June	
	Note	**2019**	2018
			(Note)
		MOP'000	*MOP'000*
Profit for the period		**33,857**	29,677
Other comprehensive income for the period:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land held for own use upon change of use to investment property, net of $ Nil tax		**26,265**	–
		60,122	29,677
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations based outside Macau		**3**	(29)
Total comprehensive income for the period		**60,125**	29,648
Attributable to:			
Equity shareholders of the Company		**60,125**	29,648
Total comprehensive income for the period		**60,125**	29,648

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
at 30 June 2019
(Expressed in Macau Pataca)

	Note	**30 June 2019** *MOP'000*	31 December 2018 *(Note)* *MOP'000*
Non-current assets			
Property, plant and equipment		**6,338**	88,224
Investment properties		**113,820**	–
		120,158	88,224
Current assets			
Contract assets		**134,341**	57,219
Trade and other receivables	*7*	**352,176**	413,359
Pledged deposits		**42,030**	11,911
Bank deposits		**–**	10,300
Cash and cash equivalents		**15,225**	13,846
		543,772	506,635
Current liabilities			
Trade and other payables	*8*	**20,194**	99,378
Bank loans and overdrafts and other borrowings		**222,048**	145,519
Lease liabilities		**2,573**	–
Tax payable		**33,552**	27,947
		278,367	272,844
Net current assets		**265,405**	233,791
Total assets less current liabilities		**385,563**	322,015
Non-current liabilities			
Lease liabilities		**3,423**	–
NET ASSETS		**382,140**	322,015
CAPITAL AND RESERVES			
Share capital		**7,828**	7,828
Reserves		**374,312**	314,187
TOTAL EQUITY		**382,140**	322,015

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Macau Pataca unless otherwise indicated)

1 BASIS Of PREPARATION

The interim financial information of the Company has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS 34), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountant (HKICPA). It was authorised for issue on 21 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives,* and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease.* It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	MOP$'000
Operating lease commitments at 31 December 2018	**1,042**
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	**6,895**
	7,937
Less: total future interest expenses	**(630)**
Total lease liabilities recognised at 1 January 2019	**7,307**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by a mixture of both business lines (fitting-out works and building construction works) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2019	2018
		(Note)
	MOP'000	*MOP'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Revenue from fitting-out works	**171,989**	138,506
– Revenue from building construction works	**94,166**	98,405
	266,155	236,911
Disaggregated by geographical location of customers		
– Macau (place of domicile)	**172,989**	157,627
– Hong Kong	**93,166**	79,284
	266,155	236,911

(b) Information about profit or loss

Disaggregation of revenue from contracts with customers by business lines, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Fitting-out works – Macau		**Building construction works – Macau**		**Building construction works – Hong Kong**		**Total**	
For the six months ended 30 June	**2019**	2018	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	MOP'000	MOP'000	***MOP'000***	*MOP'000*	***MOP'000***	*MOP'000*	***MOP'000***	*MOP'000*
Reportable segment revenue	**171,989**	138,506	**1,000**	19,121	**93,166**	79,284	**266,155**	236,911
Reportable segment profit	**33,464**	23,234	**276**	7,201	**30,073**	25,520	**63,813**	55,955

The measure used for reportable segment profit is gross profit.

(c) Reconciliations of reportable segment profit

	Six months ended 30 June	
	2019	2018 *(Note)*
	MOP'000	MOP'000
Reportable segment profit	**63,813**	55,955
Other income	**765**	1,361
Finance costs	**(3,662)**	(2,548)
Unallocated head office and corporate expenses	**(20,554)**	(18,666)
Consolidated profit before taxation	**40,362**	36,102

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019	2018
	MOP'000	*MOP'000*
(a) Finance costs		
Interest on bank loans and overdrafts and other borrowings	**3,516**	2,548
Interest on lease liabilities	**146**	–
(b) Other items		
Depreciation charge		
– owned property, plant and equipment	**81**	83
– right-of-use assets	**1,213**	–
Listing expenses	**–**	8,238
Interest income	**(725)**	(1,168)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

5 INCOME TAX

	Six months ended 30 June	
	2019	2018
		(Note)
	MOP'000	*MOP'000*
Current tax – Macau Complementary Tax	**4,562**	2,479
Current tax – Hong Kong Profits Tax	**1,943**	3,946
	6,505	6,425

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The Group is not subject to any income tax in the Cayman Islands and British Virgin Islands pursuant to the rules and regulations in the corresponding jurisdictions.

The provision for Macau Complementary Tax is calculated by applying the estimated annual effective tax rate of 12% (2018: 12%) to the six months ended 30 June 2019.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of MOP33,857,000 (six months ended 30 June 2017: MOP29,677,000) and the weighted average of 744,426,230 ordinary shares (2018: 744,426,230 shares).

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as the Group did not have dilutive potential ordinary shares for both periods.

7 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the billing date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	Note	**30 June 2019** ***MOP'000***	31 December 2018 *MOP'000*
Within 1 month		**68,426**	74,856
1 to 3 months		**49,185**	21,212
3 to 6 months		**77,489**	58,445
6 to 12 months		**147,823**	158,986
Over 1 year but less than 2 years		**7,930**	21,867
Trade debtors, net of loss allowance		**350,853**	335,366
Deposits, prepayments and other receivables		**227**	77,993
		351,080	413,359

Trade debtors are due within 45 days from the date of billing.

8 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	30 June 2019 *MOP'000*	31 December 2018 *MOP'000*
Within 1 month	**8,763**	21,785
1 to 3 months	**2,862**	4,484
3 to 6 months	**1,875**	2,378
Over 6 months	**2,962**	38,025
Trade creditors	**16,462**	66,672
Retention payables	**2,245**	23,839
Other payables and accruals	**1,487**	8,867
	20,194	99,378

9. DIVIDEND

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2019. For the six months ended 30 June 2018. No dividend was declared or paid by the Company during the six months ended 30 June 2018 to its equity shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2019, undertaking the direction of the development set by the management in last year, therefore, the Group continued to benefit from the Macau government's policies to support tourism and the completion of the Hong Kong-Zhuhai-Macau Bridge.

The Group is now concentrated on the development of its business: (i) fitting-out works: and (ii) building construction works in Macau and Hong Kong area during the first half of the financial year 2019. As a result, there are a number of the projects with sizes and qualities completed by the Group recently, which mainly included the fitting-out works for hotel and property owners in Macau. The Group continued to operate the building construction works for property owners in both Macau and Hong Kong. Projects in these areas enabled the Group to have an increased trend of Revenue when compared to the same period in 2018.

Besides the strong support of the Group's revenue from fitting-out works and building construction works in Hong Kong for the first half of the financial year 2019. Before the reporting date, the Group has announced that it has entered into a contract with a contractor for the redevelopment and expansion works for schools on Hong Kong Island, in Kowloon and in the New Territories, the contract amount is approximately HK$250 million.

This is the Group's first public sector project in Hong Kong. The Board believes that the Group may gain reputation for our quality of work by undertaking this project, thereby bringing more business opportunities to the Group as well as widening its revenue stream.

The Group's revenue mainly came from (i) fitting-out works; and (ii) building construction works. For the six months ended 30 June 2019, the Group's total newly awarded fitting-out projects and building construction projects received a total contract amount of approximately MOP377.5 million compared with approximately MOP591.1 million for the six months ended 30 June 2018.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group's revenue was approximately MOP266.2 million (30 June 2018: approximately MOP236.9 million). For the six months ended 30 June 2019, the Group recorded profit for the period of approximately MOP33.9 million (30 June 2018: approximately MOP29.7 million). During the six months ended 30 June 2019, the Group has 5 ongoing projects (4 were fitting-out projects and 1 of which were building construction project), and was awarded 3 fitting-out projects.

Revenue

For the six months ended 30 June 2019, revenue of the Group amounted to approximately MOP266.2 million, representing an increase of approximately 12.0% from approximately MOP236.9 million in the corresponding period in 2018.

The increase of the Group's revenue was mainly attributable to the increase in revenue from the fitting-out projects, and the increase in the revenue derived from building construction projects.

The revenue from fitting-out works increased from approximately MOP138.5 million for the six months ended 30 June 2018 to approximately MOP172.0 million for the six months ended 30 June 2019. Such increase was mainly attributable to several projects from new customers which have commenced during the six months ended 30 June 2019.

The increase in revenue from building construction works was mainly attributable to the revenue recognised from the building construction projects in Macau and Hong Kong.

Cost of sales

For the six months ended 30 June 2019, cost of sales of the Group amounted to approximately MOP202.3 million, the increase is inlined with the increase of revenue when compared with approximately MOP181.0 million in the same period in 2018.

The Group's cost of sales was increased mainly attributable to the increase of the sub-contracting costs and direct labour costs from fitting-out projects, partially offset by the decrease in the sub-contracting costs and direct labour costs from the building construction projects.

Gross profit and gross profit margin

Gross profit of the Group for the six months ended 30 June 2019 increased by approximately MOP7.8 million to approximately MOP63.8 million (Previous Period: approximately MOP56.0 million), and the gross profit margin was stable at 24.0% (Previous Period: 23.6%). The increase of the gross profit margin can be attributed to increase in revenue contribution from the fitting-out projects with higher margin, partially offset by the decrease in the gross profit from the building constructions projects.

Other income

Other income mainly included interest income of MOP0.7 million and MOP1.2 million for the six months ended 30 June 2019 and 2018 respectively.

General and administrative expenses

The Group's administrative expenses increased to approximately MOP20.6 million for the six months ended 2019 from approximately MOP18.7 million for the six months ended 2018.

The increase by approximately 10.2% was mainly attributable to the increase in administrative staff cost and legal and professional fee.

Finance costs

The finance costs mainly represented interests on bank borrowings and overdrafts and other borrowings. Finance costs increased by approximately MOP1.2 million to approximately MOP3.7 million for the six months ended 30 June 2019 from approximately MOP2.5 million for the six months ended 30 June 2018. The increase was mainly due to an increase in our average outstanding bank loans and overdraft and other borrowings during the six months ended 30 June 2019.

Income tax expenses

The Group's income tax expenses remained stable at MOP6.5 million for the six months ended 30 June 2019 when compared to MOP6.4 million for the six months ended 30 June 2018.

Profit for the Period

For the six months ended 30 June 2019, profit after taxation increased to approximately MOP33.9 million from approximately MOP29.7 million for the six months ended 30 June 2018 mainly due to the combined effect of the aforementioned items.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

The Group's cash and cash equivalents balances as at 30 June 2019 amounted to approximately MOP15.2 million, representing an increase of approximately MOP1.3 million as compared to approximately MOP13.9 million as at 31 December 2018, which was attributable to the proceeds received from settlements of account receivables, partially offset by the payments of direct costs for fitting-out and building construction projects.

As at 30 June 2019, the Group's indebtedness comprised bank loans and overdrafts and other borrowings of approximately MOP222.1 million (31 December 2018: approximately MOP145.5 million), of which certain of them were secured by pledged bank deposits.

Gearing Ratio

As at 30 June 2019, the gearing ratio (calculated by total debts divided by total equity; total debts include payables incurred not in the ordinary course of business) was 0.6 (31 December 2018: approximately 0.8).

The decrease was primarily attributable to the profit for the period attributable to the equity shareholders of the Company.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Currency Risk

The Group has certain bank balances denominated in Hong Kong Dollar other than the functional currency of respective group entities as at 30 June 2019. Since MOP is pegged to Hong Kong Dollar, the Group does not have significant exposure to foreign currency risk.

Capital structure

The Shares were listed on the Main Board of the Stock Exchange on 16 January 2018. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and other reserves.

Capital commitments

As at 30 June 2019, the Group had no capital commitments (31 December 2018: Nil).

Contingent Liabilities

As at 30 June 2019, the Group had contingent liabilities of MOP16.7 million (31 December 2018: approximately MOP16.1 million). The increase was primarily due to the raise of bank guarantees given to potential customers for an invitation to tender.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

Significant investments held

Expect for investments in subsidiaries, as at 30 June 2019, the Group had no significant investments.

Future Plans for Material Investments or Capital Assets

As at 30 June 2019, the Group did not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 99 employees as at 30 June 2019 (30 June 2018: 348). Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate. The local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group.

SHARE OPTION SCHEME

On 20 December 2017, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide the Company a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible participants and for such other purposes as the Board approves from time to time. As at 30 June 2019, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

EVENTS AFTER THE REPORTING DATE

No significant event took place subsequent to 30 June 2019.

DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend payment of any dividend in respect of the six months ended 30 June 2019.

PROSPECTS

First half of the financial year 2019 was a fruitful half year to the Group, the revenue of the Group was increased when compared the same period of last year. The increase of the revenue from the fitting-outs works in Macau, the fitting-outs works for Hotel and Casino in Macau was contributed the most in this section, and the comparatively stable of the revenue from the building construction works in both Macau and Hong Kong also played a big part of strengthen the revenue stream of the Group.

On top of the above, the management looks forward to the development of the redevelopment and expansion works for schools in Hong Kong, which likely to enable the Group to keep the increasing trend of revenue in the second half of the financial year 2019. Moreover, further strengthen its market position in the fitting-out industry in Hong Kong.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of 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. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float during the six months ended 30 June 2019 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive Directors, namely Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun, has reviewed with the management the interim report for the six months ended 30 June 2019, accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.spacegroup.com.mo). The interim report for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Space Group Holdings Limited
Che Chan U
Chairman

Hong Kong, 21 August 2019

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.