恒宇集團

SPACE GROUP

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

Annual Report 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Wan Yee Sang

Independent Non-executive Directors

Mr. Fan Chun Wah, Andrew
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

AUDIT COMMITTEE

Mr. Fan Chun Wah, Andrew *(Chairman)*
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

REMUNERATION COMMITTEE

Mr. Eulógio dos Remédios, José António *(Chairman)*
Ms. Leong Iat Lun
Mr. Wan Yee Sang

NOMINATION COMMITTEE

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun
Mr. Fan Chun Wah, Andrew

AUTHORIZED REPRESENTATIVES

Mr. Che Chan U
Mr. Ho Kwong Yu

COMPANY SECRETARY

Mr. Ho Kwong Yu *(CPA)*

AUDITOR

KPMG

COMPLIANCE ADVISER

CLC International Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Edificio Centro Comercial Chong Fok
8C, Avenida de Marciano Baptista 18
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Banco Nacional Ultramarino, S.A.
The Hongkong and Shanghai Banking Corporation Limited
Bank of China Macau Branch

LEGAL ADVISER

As to Hong Kong laws
Loong & Yeung

STOCK CODE

2448 (listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

spacegroup.com.mo

CHAIRMAN'S STATEMENT

For and on behalf of the board of directors (the "Board"), I would like to present the annual report of Space Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

RESULT ANALYSIS AND BUSINESS REVIEW

The year of 2017 marks the tenth anniversary of the establishment of the Group, which is also a crucial year for the Group to carry forward the past and open the future. The successful listing on the Main Board of the Stock Exchange on 16 January 2018 marked another important milestone of the Group. This will enhance the Company's image and will help the Group to continue to explore its opportunities in capital markets with its future business development and financial flexibility. Benefited from the continuous investment in infrastructure construction by the Macau government and the private sector and the recovery of the gaming industry, the Group demonstrated a steady growth during the year under review.

The Group recorded a revenue of approximately MOP482.4 million for the year ended 31 December 2017, representing an increase of approximately 4.1% as compared to the same period last year (2016: MOP463.3 million); completing the total contracted value of not less than MOP584.0 million in the reporting period for 10 fitting-out works and 3 building construction works. Excluding the Group's successful listing of one-off listing expenses of approximately MOP10.8 million (2016: MOP4.2 million), the profit for the year was approximately MOP97.0 million, representing a year-on-year increase of MOP29.0 million or 42.6% (2016: MOP68.0 million); while the Group's basic earnings per share were MOP15 cents, representing an increase of approximately MOP4 cents compared with the same period of last year (2016: MOP11 cents).

In 2018, despite the uncertain global economic and political environment, the regional economy of the Pan-Pearl River Delta has displayed a steady to good growth trend. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a very important link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the Mainland and Hong Kong and Macau, and achieve mutual benefits and win-win results. The development of new kinetic energy will promote and facilitate trade, logistics and tourism in the region and bring about new development opportunities for the fitting-out and construction industries.

CHAIRMAN'S STATEMENT (continued)

The Group is confident that it will benefit from the growth in demand from its major customers, for example, hotels and casinos. Meanwhile, the Group will continue to explore opportunities in other sectors and geographical areas. While consolidating the market in Macau, it is also the Group's strategy to expand its business in the surrounding markets of Macau in a timely manner to deepen the industry's influence and enhance brand awareness so as to create greater value for customers and shareholders. The Group will strive to seize opportunities, overcome difficulties and continuously improve its business performance. While focusing on achieving sustainable profitability growth, the Group will proceed with various aspects such as optimizing capital structure, undertaking high-end and major projects, and building corporate value to eventually achieve all-rounded development goals.

APPRECIATION

I take this opportunity to represent the board of directors and express our gratitude to the management and all staff of the Group for their dedication and valuable contribution over the past year. Thank you for your contribution and for your growth with the Group.

At the same time, we are deeply grateful to our customers, suppliers, business partners and shareholders for their continued support and trust. The Group will continue to focus on the development of quality and efficiency so as to achieve satisfactory results and thereby bring sustainable returns to our shareholders.

Space Group Holdings Limited
Chairman
Che Chan U

Hong Kong, 29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 January 2018 (the "**Listing Date**"). The estimated net proceeds from the share offer (the "**Share Offer**") amounted to HK$188.8 million (after deducting underwriting fees and commissions and all related expenses).

The Group is a Macau contractor providing (i) fitting-out works in Macau; and (ii) building construction works. The Group has been engaged in fitting-out works in Macau since 2007 and building construction works commenced in 2015. According to the report prepared by Frost & Sullivan ("**Frost & Sullivan Report**"), an independent global market research company, the Group was the second largest fitting-out works contractor in Macau in 2016 in terms of estimated revenue, with about 1.9% market share. The Group, as a fitting-out works contractor, mainly undertakes private sector fitting-out projects, including hotels and casinos, restaurants and retail shops, and other properties. During the years ended 31 December 2016 and 2017, all the Group's revenues came from the private sector in Macau.

The Group's customers mainly include: (i) hotel and casino developers and owners, retailers, restaurants and other property owners; and (ii) hotel and casino, retail shops and restaurant operators. For fitting-out works, the services provided by the Group mainly include the first renovation or refurbishment of existing properties for newly-built properties. The scope of works of the fitting-out project includes construction drawings, procurement of materials, implementation of renovation works, site supervision, management of subcontractors and overall project management. Drawing on its experience in fitting out projects, the Group diversified our business by providing building services for the first time in Macau in 2015. The project scope of the building construction project includes structural engineering, metal wall panels, paint, engineering works, mechanical and electrical installation works and fitting-out works.

The Group's revenue came from (i) fitting-out works; and (ii) building construction works. For the year ended 31 December 2017, the Group's total new awarded fitting-out projects and building construction projects received a total contract amount of approximately MOP314.0 million compared with approximately MOP67.4 million for the year ended 31 December 2016.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group's revenue of approximately MOP482.4 million (2016: approximately MOP463.3 million). For the year ended 31 December 2017, the Group recorded profit for the year of approximately MOP89.4 million (2016: approximately MOP70.7 million). Excluding the one-off listing expenses recognised, for the year ended 31 December 2017, the Group recorded profit for the year of approximately MOP100.2 million (2016: MOP74.9 million). During the year ended 31 December 2017, the Group completed 13 projects (10 were fitting-out projects and 3 of which were building construction projects), and was awarded 11 fitting-out projects and 1 building construction project.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Revenue

For the year ended 31 December 2017, revenue of the Group amounted to approximately MOP482.4 million, representing an increase of approximately 4.1% from approximately MOP463.3 million in 2016.

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

The revenue from fitting-out works increased from approximately MOP184.8 million for the year ended 31 December 2016 to approximately MOP332.9 million for the year ended 31 December 2017. Such increase was mainly attributable to several projects from new customers which have been awarded and commenced in 2017.

The decrease in revenue from building construction works was mainly attributable to a sizable project which was close to completion in 2017.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 5.6% to approximately MOP99.9 million in 2017 from approximately MOP105.9 million in 2016, while the Group's gross profit margin was 20.7% in 2017 as compared to a gross profit margin of 22.9% in 2016. The decrease in gross profit was mainly attributable to the decrease in gross profit from the building construction projects resulting from a sizeable project which was close to completion in 2017, partially offset by the increase in the gross profit from the fitting-out projects. The decrease in gross profit margin was mainly attributable to decrease in revenue contribution from the building construction project with higher margin.

Other Income

We had other income of approximately MOP34.2 million and MOP0.2 million in 2017 and 2016 respectively. Included in the other income for 2017 was mainly a gain on disposal of the investment property amounted to approximately MOP33.2 million.

General and Administrative Expenses

The Group's administrative expenses increased to approximately MOP25.4 million in 2017 from approximately MOP16.1 million in 2016. The increase by approximately 58.0% was mainly attributable to the recognition of listing expenses of approximately MOP10.8 million (2016: approximately MOP4.2 million) and the increase in administrative staff cost and legal and professional fee.

The listing expenses have impacted the profit or loss of the Group for this financial year. These expenses are significant and have heavily impacted the Group's results of this financial year. It should be noted however, that these expenses are one-off in nature and will not have any impact on the Group's financial performance moving forward.

Finance Costs

The Group's finance costs decreased to approximately MOP5.7 million in 2017 from approximately MOP7.5 million in 2016. The decrease of approximately 24.0% was mainly due to a decrease in our average outstanding bank loans and overdrafts and other borrowings (excluding a mortgage loan of MOP58.4 million drew down in November 2017).

Income Tax Expense

The Group's income tax expense increased to approximately MOP13.6 million in 2017 from approximately MOP11.7 million in 2016. The increase of approximately 15.8% was mainly due to the increase in the profit before taxation.

Profit for the year

Profit for the year increased by approximately 26.4% to approximately MOP89.4 million in 2017 from approximately MOP70.7 million in 2016, which was mainly attributable to the combined effect of the aforementioned items.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2017, the Group had an aggregate of pledged deposits, bank deposits, and cash and cash equivalents of approximately MOP43.9 million (2016: approximately MOP58.6 million), representing a decrease of approximately 25.0% as compared to that as at 31 December 2016. As at 31 December 2017, bank deposits of MOP26.7 million (2016: MOP37.6 million) are pledged to secure banking facilities (including bank loans and overdraft and issuance of performance bonds).

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group had bank loans and overdraft and other borrowings of approximately MOP191.5 million (2016: approximately MOP158.3 million). Amongst the borrowings, approximately MOP191.4 million (2016: approximately MOP138.5 million) will be repayable within one year and approximately MOP0.1 million (2016: approximately MOP19.8 million) will be repayable after one year.

As at 31 December 2017, bank loans and overdraft and other borrowings of approximately MOP191.3 million were secured by land held by the Group, pledged deposits of the Group, corporate guarantees provided by the Company and certain subsidiaries of the Group, guarantees provided by the Industrial and Commercial Development Fund of the Macau Government and personal guarantees, properties and insurance proceeds of director.

As at 31 December 2017, the assets pledged to secure certain banking facilities granted to the Group amounted to MOP114.3 million (2016: approximately MOP45.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Gearing Ratio

As at 31 December 2017, the gearing ratio (calculated by total debts divided by total equity; total debts include payables incurred not in the ordinary course of business) was 5.6 (2016: approximately 1.9).

The increase was primarily attributable to the dividend declared of approximately MOP138.8 million for the year ended 31 December 2017.

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 no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Macau Pataca and Hong Kong dollar, which is pegged to Macau Pataca.

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 31 December 2017, the Group had no capital commitments (2016: Nil).

Contingent Liabilities

As at 31 December 2017, the Group had contingent liabilities of MOP25.7 million (2016: approximately MOP89.2 million). The decrease was primarily due to the release of the performance bonds upon completion of the hotels and casinos fitting-out projects.

Material Acquisitions and Disposals

During the year ended 31 December 2017, save for the Reorganisation as discussed in the section headed "History, Reorganisation and Corproate Strcuture" in the prospectus issued by the Company on 28 December 2017 (the "**Prospectus**"), the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Significant investments held

As at 31 December 2017, the Group had no significant investments.

Future Plans for Material Investments

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 384 employees (as at 31 December 2016: 398). Total staff costs (including Directors' emoluments) were approximately MOP29.6 million for the year ended 31 December 2017, as compared with approximately MOP51.0 million for the year ended 31 December 2016. The decrease is mainly attributable to the decrease in average number of working days for day-work workers.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience. The remuneration package generally include basic salaries, bonuses and employee benefits such as housing allowances. We conduct annual review on employee salary and promotion based on their respective performances. The Group also operates the Share Option Scheme, pursuant to which options to subscribe for Shares may be granted to the Directors and employees of the Group. The Group provides orientation programmes for new employees to familiarise them with our general working environment and work culture. The Group will also arrange on-the-job trainings for our employees such as accounting trainings conducted by external parties, which aims at developing their skills so as to meet our strategic goals, customer requirements, regulatory requirements and contractual obligations. The Group has also provided specific site trainings to our site personnel in respect of management of quality, environmental protection, health and safety matters.

SHARE OPTION SCHEME

The principal terms of the Share Option Scheme were summarised in the paragraph headed Share Option Scheme in the Report of the Directors. 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. Since the adoption of the Share Option Scheme and up to the date of this annual report, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2018 with net proceeds received by the Company from the Share Offer in the estimated amount of HK$188.8 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

From the Listing Date to the date of this annual report, the net proceeds had been applied as follows:

Use of Net Proceeds from the Share Offer

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Finance fitting-out projects in Macau	46.1	8.0	38.1
Finance building construction projects in Macau	127.6	41.6	86.0
General working capital	15.1	2.0	13.1
Total	188.8	51.6	137.2

As at 29 March 2018, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau.

EVENTS AFTER THE REPORTING DATE

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2018. The Prospectus dated 28 December 2017 was published on the Company's website (www.spacegroup.com.mo) and on the HKEx news website of Stock Exchange (www.hkexnews.hk).

DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 ("CG Code") set out in Appendix 14 of the Listing Rules since the Listing Date and up to the date of this annual report (the "Relevant Period").

DIRECTORS' SECURITIES TRANSACTIONS

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 Relevant Period.

BOARD OF DIRECTORS

Composition

The Board comprises six Directors and their respective role are as follows:–

Executive Directors

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Wan Yee Sang

Independent Non-executive Directors

Mr. Fan Chun Wah, Andrew *(appointed on 20 December 2017)*
Mr. Eulógio dos Remédios, José António *(appointed on 20 December 2017)*
Ms. Leong Iat Lun *(appointed on 20 December 2017)*

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed therein, there is no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial shareholder or controlling shareholder of the Company.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio among executive Directors and independent non-executive Directors is reasonable and appropriate. The Board also believes that the participation of independent non-executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all Shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee") and a nomination committee (the "Nomination Committee") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the paragraph headed "Board Committees" of this annual report.

Independence of Independent Non-Executive Directors

Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All independent non-executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all independent non-executive Directors have satisfied their independence of the Group.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Board Meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' notice is given for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and meetings of the Board committees are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members are given a copy of the minutes for their record. Should a matter being considered involve a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and abstain from voting. The matter would be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses. The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

During the period from the Listing Date to the date of this annual report, the attendance of the individual Directors at the meetings is set out below:

	Number of meetings attended/eligible to attend from the Listing Date to the date of this annual report			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Che Chan U	1/1	–/–	–/–	1/1
Ms. Lei Soi Kun	1/1	–/–	–/–	1/1
Mr. Wan Yee Sang	1/1	–/–	1/1	–/–
Independent Non-Executive Directors				
Mr. Fan Chun Wah, Andrew	1/1	2/2	–/–	1/1
Mr. Eulógio dos Remédios, José António	1/1	2/2	1/1	1/1
Ms. Leong Iat Lun	1/1	2/2	1/1	1/1

The independent non-executive Directors were appointed on 20 December 2017 and are subject to retirement by rotation in accordance with the articles of association of the Company.

DIRECTORS' TERMS OF APPOINTMENT

All Directors are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the articles of association of the Company (the "Articles of Association").

DIRECTORS' TRAINING

Revised Code Provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the year ended 31 December 2017 according to the records provided by the Directors is as follows:

	Attending seminar(s)/ programme(s)/conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Che Chan U	✓
Ms. Lei Soi Kun	✓
Mr. Wan Yee Sang	✓
Mr. Fan Chun Wah, Andrew	✓
Mr. Eulógio dos Remédios, José António	✓
Ms. Leong Iat Lun	✓

BOARD DIVERSITY POLICY

During the year ended 31 December 2017, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference.

Audit Committee

Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Members of the Audit Committee are Mr. Fan Chun Wah, Andrew, Mr. Eulógio Dos Remédios, José António and Ms. Leong Iat Lun (all are independent non-executive Directors). Mr. Fan Chun Wah, Andrew currently serves as the chairman of the Audit Committee. Pursuant to the meeting of the Audit Committee, the Audit Committee reviewed, among other things, the audited financial statements for the year ended 31 December 2017 with recommendations to the Board for approval and discussed with the management and the external auditor the accounting policies and practices which may affect the Group, the report prepared by the external auditor covering major findings in the course of the audit and the accounting and financial reporting matters.

No meeting was held by the Audit Committee during the year ended 31 December 2017 because the Company was listed on 16 January 2018.

The annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee before submission to the Board for approval.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual Directors and senior management and on other employee benefit arrangements.

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Eulógio Dos Remédios, José António and Ms. Leong Iat Lun, and one executive Director, namely Mr. Wan Yee Sang. Mr. Eulógio Dos Remédios, José António currently serves as the chairman of the Remuneration Committee. Pursuant to the first meeting of the Remuneration Committee on 29 March 2018, the Remuneration Committee has assessed the performance of the Directors and senior management of the Company, and reviewed and recommended to the Board the remuneration policy and structure relating to the Directors and senior management of the Company.

No meeting was held by the Remuneration Committee during the year ended 31 December 2017 because the Company was listed on 16 January 2018. The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the year ended 31 December 2017 are set out in note 8 to the consolidated financial statements.

The remuneration of members of the senior management (excluding Directors) by band for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of person(s)
HK$500,001 to HK$1,000,000	2
HK$1,500,001 to HK$2,000,000	1

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointments of our Directors, to assess the independence of the independent non-executive Directors, to take up references and to consider related matters.

The Nomination Committee consists of three independent non-executive Directors, namely Mr. Fan Chun Wah, Andrew, Mr. Eulógio Dos Remédios, José António and Ms. Leong Iat Lun, and two executive Directors, namely Mr. Che Chan U and Ms. Lei Soi Kun. Mr. Che Chan U currently serves as the chairman of the Nomination Committee.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Further, pursuant to the terms of reference of the Nomination Committee, the Nomination Committee, when reviewing the composition of the Board, will have regard to the diversity of the Board, which includes gender, age, cultural and educational background, length of service, skills, knowledge and professional experience of the Board. The Company recognises and embraces the benefits of diversity of Board members.

Pursuant to the first meeting of the Nomination Committee on 29 March 2018, the Nomination Committee has reviewed the policy for the nomination of Directors, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors.

No meeting was held by the Nomination Committee during the year ended 31 December 2017 because the Company was listed on 16 January 2018.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, namely: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

The Board held 1 meeting during the Relevant Period, at which the Board reviewed the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

The Board acknowledges its responsibility in maintaining a sound and effective internal control and risk management systems for the Group to safeguard Shareholders' investments and assets of the Company at all times.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Che Chan U is the chairman of the Board. The Company has not appointed any chief executive officer since its inception. Given the current size and structure of the Company, the Board considers that such appointment is not required as the existing structure has a well-balanced of authorities, responsibilities and accountability among the members of the Board (which comprises experienced and high caliber individuals who meet regularly to discuss issues and affairs affecting the operations of the Company) and the senior management of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for the establishment, maintenance and review of the Group's system of internal controls and risk management throughout the year ended 31 December 2017 and their effectiveness. The Company has engaged an external independent professional advisory firm (the "Independent Advisor") to review the effectiveness and adequacy of risk management and internal control systems in 2017 so as to ensure the effectiveness and adequacy of risk management and internal controls system. The Independent Advisor had reviewed and analysed all material controls of the Group, including financial, operational and compliance controls and their associated risks. The relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board.

The Board considered the risk management and internal control systems of the Group to be adequate and effective for the year ended 31 December 2017. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 December 2017.

The Board wishes to emphasise that risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "SFO") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2017 and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 52 to 57 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, services provided to the Company by its external auditor, KPMG, and the respective fees paid were:

	2017 MOP'000
Audit services	**1,339**
Other services include the reporting accountant's work and internal control review work in connection on with the initial public offering of the Company	**4,712**
	6,051

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. Subject to provisions of the applicable laws in the Cayman Islands and Listing Rules, the Articles require that an annual general meeting ("AGM") of the Company to be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may at any time put forward their enquiries (including the procedures for putting forward proposals at general meetings of the Company) to the Board in writing through the Company Secretary whose contact details are as follows:

Space Group Holdings Limited
Room 1603, 16/F, China Building
29 Queen's Road Central
Hong Kong

Tel No.: (852) 2543 0633
Fax No.: (852) 2543 9996

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board established a Shareholders' communication policy to ensure that Shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.spacegroup.com.mo through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

The AGM also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman and other members of the Board are present at the AGM to answer questions raised by the Shareholders. The annual report together with AGM circular is distributed to Shareholders at least 20 clear business days before the AGM.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum of association on 20 December 2017 and amended and restated articles of association on the Listing Date

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the "ESG Report") summarizes the initiatives, programme and performance of the Group as well as demonstrates its commitment to sustainability.

The Group mainly undertakes fitting-out projects and building construction projects for private companies, including hotels and casinos, restaurants and retail shops, as well as other properties.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in our society. In order to follow the key trends and pursue a successful and sustainable business model, we stand firm to maintain environmental protection as our core value and reflect it in our business model, projects and products. The Group recognizes the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING SCOPE

Unless otherwise stated, the content of this report covers the Group. The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide").

REPORTING PERIOD

The ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2017.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
A. Environment		
A1. Emissions	Emissions, Wastewater and Waste Management	P22
	Greenhouse Gas Emission	P23
A2. Use of Resources	Energy Consumption	P24
	Water Consumption	P25
	Use of Packaging materials (Not applicable)	P25
A3. The Environment and Natural Resources	Environmental Impact Management	P26
B. Society		
B1. Employment	Employee Benefits and Equal Opportunities Policies	P27
B2. Health and Safety	Occupational Health and Safety	P28
B3. Development and Training	Staff Development and Training	P28
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P29
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	P29
B6. Product Responsibility	Quality and Safety of Products and Services	P30
	Intellectual Property Management	P30
B7. Anti-Corruption	Prevention of Corruption and Fraud	P31
B8. Community Investment	Contributions to Society	P31

During the year ended 31 December 2017, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG report or towards our performance in respect of sustainable development. Relevant Suggestions can be sent to the E-mail address: space@spacegroup.asia.

A. ENVIRONMENT

A1. EMISSIONS

General Disclosure and Key Performance Indicators(“KPI”)

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting perspective, we mainly focused on the environmental impact of the Group’s offices and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern the limited greenhouse gas emissions and non-hazardous waste generated from our operation. At the same time, the Group fully considers environmental elements in each of our business process, including design and planning, material procurement, and project execution. We cherish and make good use of the earth’s resources to promote the harmony between human being and the nature environment.

General Disclosure and Key Performance Indicators(“KPI”)

Waste management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group’s operations mainly consist of paper and toner cartridges. During the year ended 31 December 2017, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity	Unit	Intensity –Unit per employee
Pape	1.385	Tonnesr	0.0036
Toner cartridge	35	Pieces	0.091

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group’s office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

GHG emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2017, the Group's total GHG emissions amounted to approximately 36.56 tonnes and the total GHG emission per employee was 0.10 tonnes/employee. The detailed summary of the GHG emission is shown as below:

GHG Performance Summary:

GHG Scope[1]	**Tonnes**	**Intensity – Tonnes per employee**
Direct GHG emission (Scope 1) – petrol consumption	5.15	0.01
Indirect GHG emission (Scope 2) – electricity consumption	30.02	0.08
Other indirect GHG emission(Scope 3) – paper and water consumption	1.39	0.01
Total GHG emission	36.56	0.10

Note:

1. GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development.

The Group has implemented a number of measures to mitigate energy consumption such as turning off the air-conditioning system at night or when leaving office, keeping the office temperature at 25ºC in summer and using LED lights or energy-saving light in the office; the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

The green project is all about the program

At the project level, the Group considers the principle of environmental protection for each project. We comprehensively consider environmental elements during project design and planning, material procurement, project execution, etc.. For example, to plan and design according to local geographical features; to focus on the environmental quality of building materials; to assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether our suppliers can effectively conserve energy and minimize carbon emissions. In the project execution process, we strictly implement the relevant energy saving regulations issued by the government.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Law of Macau, the Law of Prevention of Ambient Noise in Macau and a series of international conventions applicable to Macau. During the year ended 31 December 2017, the Group was not aware of any material non-compliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarized below:

"Comply or explain" Provisions

KPI A1.1		
A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

A2. USE OF RESOURCES

General Disclosure and KPI

Energy Consumption

The Group understands that the building materials adopted by the Group will directly affect the quality of the building and its surrounding environment, so a number of environmental procurement measures have been taken.

The Group purchases and selects environmental friendly indoor and outdoor building materials, which can provide a comfortable environment and save natural resources at the same time. Also, the Group will select local material at a higher priority and consider recycling to reduce the carbon emission and construction waste generated from transportation.

The volume of energy consumption, electricity consumption and water consumption of the Group are considered as relatively low. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2017, the Group's consumption in petrol and electricity were:

Energy Type	Quantity	Unit	Intensity –Unit per employee
Petro	6,972	Litre	18.16
Electricity	37,998	kWh	98.95

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water consumption and use of packaging materials

During the year ended 31 December 2017, the Group consumed 9,063 tonnes of water and the water consumption per employee was 23.6 tonnes. As compared to the tiny amount of water consumption generated from office operations, the Group's mainly water consumption from construction sites include muddy water, wastewater from rinsing the cement system, cooling water of machineries and wastewater from rinsing of ground surface.

To reduce the use of water, the Group has implemented preventive measures and monitored the water consumption in construction sites by regular frequency.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions

KPI A2.1	Direct and/or indirect energy consumption by type and intensity	Disclosed
KPI A2.2	Water consumption in total and intensity	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Issue in sourcing water– not applicable due to its business nature; Remaining – disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

A3. ENVIRONMENT AND NATURAL RESOURCES

General Disclosure and KPI

Environmental impact management

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability. The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimizes such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

The Group understands that effective project management would ensure efficient use of resources. Therefore, many environmental-friendly construction measures have been taken. The Group strictly implements the building energy conservation regulations promulgated by the government, and continuously improves project management to minimize unnecessary power and water consumption in the project.

The Group supports waste management and waste reduction, and adopts a hierarchical system, namely, to avoid waste generation first, and to reuse resources and recycle the resources as much as possible before considering waste disposal. For construction waste, timely treatment is the basic requirement of clean and clean environment. The group has formulated the disposal plan of mud and waste residue, which requires the subcontractor to collect the construction waste in a centralized, simple classification and centralized external transportation, and promptly clean up the construction waste. The mud must be processed by the qualified transportation unit after drying in the field, so as to prevent the random dumping of construction waste in the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2017, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

"Comply or explain" Provisions

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

B. SOCIETY

B1. EMPLOYMENT

General disclosure

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2017, the Group has fully complied with relevant rules and regulations in Macau, including Law No.4/98/M (Framework Law on Employment Policy and Worker's Rights), Law No.7/2008(Labor Relation Law),Decree Law No.58/93/M (approval of social security regime) and the other relevant rules.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains polices in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B2. HEALTH AND SAFETY

General disclosure

Occupational Health and Safety

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

The Group strictly abide by the relevant laws and regulations of Macau under certain health and safety regulations. We are committed to ensuring that our employees and subcontractors work in a safe and healthy environment, and we regard occupational health and safety as the primary task of maintaining our reputation.

We have established and maintained a safety management system in Macau according to the OHSAS 18001 international standard. Our system takes a preventive approach and focuses on crisis management and risk assessment. The Group conducts regular internal risk assessments and reviews every six months. It aims to provide information, training and supervision through the screening of risk and crisis control risk levels of different types of work, to enhance risk awareness and to better prepare for emergencies. We set up and maintain a safety management system for our Macau operation, and properly manage any violation of the system and to take remedial measures after the record and reviewso as to ensure site safety and health management are properly implemented in all the construction sites we managed and we comply with applicable laws and regulations.

Occupational safety and health data	
Total staff of the Group	384
The number of working days caused by accidents and diseases (professionalism) related to work	304

During the year ended 31 December 2017, the Group was not aware of any non-compliance with the health and safety laws and regulations.

B3. DEVELOPMENT AND TRAINING

General disclosure

Staff Development and Training

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group adheres to the "people-oriented" management concept. We built a multi-level, all-round, three-dimensional team with Space Group characteristics. This provide powerful talent support for sustainable development. We focus on the employees knowledge accumulation, professional skills development, and career planning. We provide a good working environment and practical training and also for the Group to build an energetic and positive working atmosphere. We established a good mechanism of cultivating and utilizing talents.

The Group encourages and supports the participation of employees in personal and professional training. We also encourage the culture of sharing of experience by organizing various forms of training form time to time to help employees for their career planning and improve their job performance.

B4. LABOUR STANDARDS

General disclosure

Prevention of Child Labor or Forced Labor

The Group strictly prohibits employing any child labor or forced labor in its operations. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging suppliers and subcontractors which are already known to be employing child labor or forced labor in their operations.

The Group has complied with the relevant laws and regulations such as the Labor Relation Law, Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

During the year ended 31 December 2017, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. SUPPLY CHAIN MANAGEMENT

General disclosure

Environmental and Social Risk Management of Supply Chain

The Group maintain an approved list of suppliers from Macau. In selecting suppliers for a project, we evaluate them based on their scale of operation, our past cooperation with them, their capability to comply with the specified project requirements, price quotation, and time required by them to provide the required materials. We also review and update such list on a continuous basis. Based on these factors, our procurement department will coordinate with our project manager to select supplier from the approved list of suppliers to further negotiate purchase terms, and our executive Directors will review and approve the proposed supplier purchase order forms before execution. Our quantity surveyor will also examine the quantity and quality of materials ordered and the timing of delivery to ensure that the delivery meets our project schedules.

The Group's procurement department is also responsible for organizing the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

B6. PRODUCT RESPONSIBILITY

General disclosure

Quality and Safety of Products and Services

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services. At the same time, we will continuously improve the customer service and complaint handling mechanism so as to protect the rights and interests of consumers, and provide customers with comfortable services.

The Group has established a system for the selection and management of subcontractors, including maintaining a list of approved subcontractors and regular inspection on the quality and progress performed by our project managers. In addition, our subcontractors must comply with the relevant laws and regulations relating to the safety and illegal labour of the site. We require the subcontractor to comply with and adopt all safety, building and structure measures and procedures specified in our safety management plan.

The Group extremely emphasizes the quality control of the property construction, including the purchase of building materials, external decoration, interior decoration and interior decoration materials and the machinery used on of construction projects, to ensure ow quality standards. The Group focuses on project monitoring to ensure that all are met projects comply with our quality standards and compliance with relevant legislation and regulations.

Intellectual Property Management

The Group is very concerned about the protection of intellectual property rights, and ensures that no infringement of intellectual property rights of other enterprises or individuals during the entire product life cycle starting from the project design. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms as appropriate. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2017, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Macau Intellectual Property Law.

B7. ANTI-CORRUPTION

General disclosure

Prevention of Corruption and Fraud

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service".

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations representing the Macau "Bribery Punishment System".

During the year ended 31 December 2017, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

B8. COMMUNITY INVESTMENT

General Disclosure

Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

The Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

In the financial year ended 31 December 2017, we made charitable donation of HK$ 1 million to support the society.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Che Chan U (謝鎮宇), aged 36, was appointed as our Director on 24 April 2017 and was re-designated as chairman and executive Director of the Group on 20 December 2017. Mr. Che is responsible for the Group's overall management, strategic planning and business development. He is also the Chairman of the nomination committee. As the founder of the Group, Mr. Che has over 10 years of experience in fitting out industry. Mr. Che is also the director of Companhia Space Grupo Limitada ("Space Group"), Space Construction & Engineering Co., Ltd. (恆宇建築工程有限公司) ("Space Construction"), Space Oriental Construction & Engineering Co., Ltd. (恆宇東方建築工程有限公司) ("Space Oriental") and Minsang Oriental Limited (敏生東方有限公司) ("Minsang Oriental").

Mr. Che graduated in June 2004 from the National Taiwan University with the degree of Bachelor of Science in Engineering. In June 2015, he became a member of the IPlantE Professional Sector, a professional sector of the Society of Operations Engineers. He was registered as a Chartered Building Engineer and was elected a member of the Chartered Association of Building Engineers on 31 March 2017. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of the Macao Special Administrative Region since 2006. He is the son of Ms. Lei.

Ms. Lei Soi Kun (李瑞娟), aged 59, is our executive Director. Ms. Lei was appointed as our Director on 24 April 2017 and redesignated as executive Director on 20 December 2017. She is responsible for the overall management of the Group's administrative matters. She is also a member of the nomination committee.

Ms. Lei has over 20 years of experience in fitting-out industry. From 1976 to 1990, she was an administrative clerk at Macau Fuhe Construction Property Co., Ltd (澳門福和建築置業有限公司). She was a real estate agent and assisted her clients with renovation works from 1990 to 1993. Prior to joining the Group in 2009, Ms. Lei has been the director of Bo Ngai Engineering Co., Ltd, a company which carried out fitting-out business in Macau. Ms. Lei then joined the Group as a director in 2010 and has been handling the Group's administrative matters. She is the mother of Mr. Che.

Mr. Wan Yee Sang (溫宜生), aged 55, is our executive Director. Mr. Wan was appointed as our Director on 24 April 2017 and redesignated as executive Director on 20 December 2017 and is mainly responsible for the overall management of the Group's business development and operation. He is also a member of the remuneration committee.

Mr. Wan obtained a Bachelor of Science in Building from the City University of Hong Kong (formerly the City Polytechnic of Hong Kong) in November 1989. Mr. Wan has over 20 years' experience in fitting-out industry for various types of buildings. Mr. Wan is currently the director of Minsang Oriental and Space Oriental with the principal activity of providing fitting-out services. From 1989 to 1993, he was a planning engineer at Gammon Construction Ltd. From 2007 to 2011, he was the Director of Situ-Minsang Engineering Limited. From 2009 to 2011, Mr. Wan was the director of Ming Sang (H.K.) Engineering Limited in Hong Kong and was involved in various fitting out and renovation projects including for an amusement park in Hong Kong. From 2009 to 2014, he was a Director and shareholder of Minsang Oriental Pte. Ltd.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-Executive Directors

Mr. Fan Chun Wah, Andrew JP (范駿華太平紳士), aged 39, was appointed as an independent non-executive Director on 20 December 2017 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the audit committee, and a member of the nomination committee. Mr. Fan received the Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in December 1999 and the Bachelor of Laws from University of London as an external student in August 2007. In January 2003 and September 2011, Mr. Fan was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow member of the Association of Chartered Certified Accountants respectively.

Mr. Fan has over 18 years of experience in accounting and compliance. He joined PricewaterhouseCoopers from September 1999 to November 2004 with his last position as Manager. Mr. Fan has been the managing director of Fan, Mitchell & Co., Limited since October 2017 and the partner of Fan, Mitchell & Co. since September 2016, the managing director of C.W. Fan & Co., Limited since November 2013 and the managing partner of C.W. Fan & Co. since January 2006. Mr. Fan was, or has been, a director of the following companies in the last three years preceding the date of this annual report:

Period of services	Name of the listed companies	Principal business activities	Position	Responsibilities
March 2013 – July 2015	Milan Station Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1150)	Retail of handbags, fashion accessories and embellishments	Independent non-executive Director	Board oversight and independent management
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and Mainland China	Independent non-executive Director	Board oversight and independent management
March 2013 to December 2016	LT Commercial Real Estate Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0112)	Property development, property investment, securities investment, and finance activities in Hong Kong, Mainland China, and the US	Independent non-executive Director	Board oversight and independent management
March 2014 to present	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Period of services	Name of the listed companies	Principal business activities	Position	Responsibilities
October 2014 to present	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of full-service restaurant chain serving Cantonese cuisine in Hong Kong and in the PRC	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	Publishing comic books and provision of media content in Hong Kong, Mainland China, and Macau	Independent non-executive Director	Board oversight and independent management
July 2015 to May 2017	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)	Retail and franchise of gold and jewellery products in Mainland China, Hong Kong, and Macau	Independent non-executive Director	Board oversight and independent management
September 2015 to August 2016	On Real International Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8245)	Design and manufacturer of two-way radio product	Independent non-executive Director	Board oversight and independent management
January 2016 to present	Namson Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1982)	Knitwear manufacturer	Independent non-executive Director	Board oversight and independent management
June 2017 to present	Omnibridge Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8462)	Human resources outsourcing and recruitment services	Independent non-executive Director	Board oversight and independent management

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Period of services	Name of the listed companies	Principal business activities	Position	Responsibilities
December 2017 to present	Sanbase Corporation Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8501)	Provision of interior office fit-out management and solutions services	Independent non-executive Director	Board oversight and independent management
January 2018 to present	CNC Holdings Limited, whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8356)	Provision of civil engineering services for the public sector in Hong Kong and television	Independent non-executive Director	Board oversight and independent management

Mr. Eulógio dos Remédios, José António (李秉鴻), aged 41, was appointed as an independent non-executive Director on 20 December 2017 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the remuneration committee and a member of the audit and nomination committees. Mr. Eulógio dos Remédios obtained a Diploma in public relations from the Instituto Politécnico de Macau in 2002. He later obtained a Bachelor's degree in Law from the University of Macau in 2007. In July 2011, Mr. Eulógio dos Remédios became a lawyer under the Associação dos Advogados de Macau.

Mr. Eulógio dos Remédios has almost 10 years of experience in law. He was a trainee-lawyer at Jorge Neto Valente Lawyers and Notaries from October 2007 to April 2010 and is a lawyer at the same law firm from July 2011 to present. From August 2012 to June 2013, Mr. Eulógio dos Remédios was also a part-time lecturer at the University of Macau.

Ms. Leong Iat Lun (梁逸鸞), aged 43, was appointed as an independent non-executive Director on 20 December 2017 and is responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. She is also a member of the audit, remuneration and nomination committees. Ms. Leong obtained a Bachelor's degree in Clinical Medicine from Shantou University Medical College, China, in June 2000. In April 2007, Ms. Leong obtained her Master of Laws from the Macau University of Science and Technology. In 2012, Ms. Leong obtained a Master's degree in Applicable Psychology from the South China Normal University in Guangdong. Ms. Leong obtained her Master's degree in Surgery from Jinan University, China, in June 2014. Ms. Leong holds a medical license issued by the Macau Health Bureau since 2002 and a medical license issued by the People's Republic of China since 2004. In 2009, she obtained a Diploma of General Surgery issued by the People's Republic of China.

Ms. Leong has more than 16 years of experience in medicine. She joined Kiang Wu Hospital Charitable Association from December 2000 to January 2009 with her last position as an Attending Doctor in the Surgical Department. From May 2007 to November 2007, she completed training at the Breast Disease Centre of Kwong Wah Hospital in Hong Kong. Ms. Leong is also currently a clinical instructor and an associate doctor specializing in breast surgery at the Macau University of Science and Technology Foundation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management as at the date of this annual report:

Name	Age	Position	Roles and Responsibilities	Date of joining the Group
Mr. Ho Kwong Yu (何光宇)	32	Company Secretary & Chief Financial Officer	overall management of financial matters and the company secretarial matters of the Group	7 April 2017
Mr. Lao Chi Wai (劉志偉)	31	Senior Project Manager	overall management of the Group's fitting-out and construction projects	10 August 2016
Mr. Ho King To (何景滔)	37	Senior Finance and Accounting Manager	finance and accounting matters	10 August 2013

Our senior management is responsible for the day-to-day management of our business.

Mr. Ho Kwong Yu (何光宇), aged 32, is the company secretary and chief financial officer and is mainly responsible for overall management of financial matters and company secretarial matters of the Group. Mr. Ho has over 10 years of audit, accounting and financial management experience. He is the Group's Company Secretary.

Mr. Ho obtained his Bachelor of Business Administration (Major in Professional Accountancy) from the Chinese University of Hong Kong in 2008. He is also a member of The Hong Kong Institute of Certified Public Accountants.

From January 2008 to February 2015, Mr. Ho worked at Deloitte Touche Tohmatsu and his last position held was manager in the audit department. From February 2015 to May 2015, Mr. Ho was an internal audit manager at Cosco Shipping International (Hong Kong) Co., Ltd. (formerly named as Cosco International Limited) (Stock Code: 517) and was responsible for conducting internal audit. His last position prior to joining the Group was chief financial officer and company secretary of Creative China Holdings Limited (Stock Code: 8368) where he was responsible for accounting, financial management and company secretarial matters. Mr. Ho has been appointed as an independent non-executive director of Most Kwai Chung Limited (Stock Code: 1716) since March 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Lao Chi Wai (劉志偉), aged 31, is the senior project manager. He joined us on 10 August 2016 and is mainly responsible for overall management of the Group's fitting-out and construction projects. Mr. Lao obtained his Bachelor of Science Engineering from the National Central University in June 2009. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of Macau since 2010.

Mr. Lao has over 8 years of experience as an engineer in the engineering industry. From August 2009 to May 2013, he was employed at Best Engineering Ltd. with his last position as construction project manager. Between March 2013 to December 2014, Mr. Lao was employed as a Project Director at ProudRight Design and Engineering Ltd. Mr. Lao's last position from November 2015 to August 2016 prior to joining the Group was as Project Manager with Nanli (Macau) Engineering Co., Ltd. Mr. Lao is also a registered construction safety supervisor in Macau.

Mr. Ho King To (何景滔), aged 37, is the senior finance and accounting manager. He joined us on 10 August 2013 and is mainly responsible for finance and accounting matters. Mr. Ho has over 8 years of clerical experience and 4 years of accounting experience. From July 2005 to August 2013, he was employed by Café de Coral Holdings Limited as a General Clerk in the strategic business unit.

Mr. Ho obtained his Advanced Diploma in Accounting from the University of Hong Kong School of Professional and Continuing Education in October 2012. He obtained his Bachelor of Accounting from the University of Canberra through a part-time program co-organized with the Hong Kong Baptist University School of Continuing Education in September 2016.

REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 12 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

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

BUSINESS REVIEW

A fair review of the business of the Group during the year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 10 of this annual report. Discussions on the social, labour and environmental policies and performance are set out in the "Environmental, Social and Governance Report" on pages 20 to 31 of this annual report.

The above discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

Various risks and uncertainties that the Group may face: (i) the Group's contracts are awarded through tendering or quotation processes and not recurring in nature and its future business depends on our continual success in project tenders or quotations; (ii) the Group's performance is dependent on market conditions and trends in the fitting-out industry and building construction industry in Macau which may change adversely; (iii)the Group depends on its subcontractors to complete a substantial part of the works of its projects and bear the risks associated with fluctuations in subcontracting fees, substandard performance and stability of their operations. In view of the risks associated with financial instruments, the objectives and policies of Group are set out in note 21 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

In relation to human resources, the Group provides and maintains statutory benefits for its staff, including but not limited to entitlement to mandatory provident fund, basic medical insurance, work injury insurance, etc. staff is entitled to day-off on public holidays and maternity leave.

At the corporate level, the Group complies with the requirements under the Listing Rules and the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code set out in Appendix 10 to the Listing Rules.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands. The Shares of the Company were listed on the Main Board of the Stock Exchange with effect from 16 January 2018.

In connection with the Listing of the shares of the Company on the Stock Exchange, 190,000,000 new Shares of HK$0.01 each of the Company were issued at a price of HK$1.20 per Share for a total cash consideration, before expenses, of HK$228,000,000 (equivalent to approximately MOP234,340,000). Dealings in the Shares on the Stock Exchange commenced on 16 January 2018.

Upon the creation of the Company's share premium account as a result of the share offer, an amount of HK$5,700,000 (equivalent to approximately MOP5,871,000) standing to the credit of the share premium account of the Company has been capitalised on 16 January 2018 by applying such sum towards paying up in full at par a total of 569,999,800 ordinary shares for allotment and issue to the then existing Shareholders. Immediately following the completion of the share offer and the capitalisation issue, the total outstanding Shares of the Company was 760,000,000 Shares including the 190,000,000 Shares issued upon the share offer.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and subcontractors and suppliers.

Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's major customers included hotel and casino gaming operators and main contractors in Macau. The Group provides professional and quality services in fitting-out business whilst maintaining long term profitability, business and asset growth.

Subcontractors and Suppliers

The Group firmly believes that its subcontractors and suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. The Group proactively communicates with its subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require the Group to engage subcontractors and suppliers nominated by them, the Group will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, the Group will supply them with our internal guidelines on safety and environmental issues and require them to follow. The Group effectively implements the subcontractor assessment process by conducting regular site visit, evaluation on the performance of contract and other measures, to ensure the performance of our subcontractors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that its business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established safety, quality and environmental management systems. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. We believe that our certifications to ISO 9001 and ISO 14001 enhance our public image and credibility and also help us to improve our customers' confidence in our services. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report".

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 61.

MATERIAL INVESTMENT AND ACQUISITION

During the year ended 31 December 2017, save for the Reorganisation as discussed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus issued by the Company on 28 December 2017 (the "**Prospectus**"), the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2017 are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year and details of the Group's property, plant and equipment are set out in note 11 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in investment properties during the year and details of the Group's investment properties are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 20 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements were entered into during the year ended 31 December 2017 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164 of the Articles of Association, subject to relevant laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors
Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Wan Yee Sang

Independent Non-executive Directors
Mr. Fan Chun Wah, Andrew *(appointed on 20 December 2017)*
Mr. Eulógio dos Remédios, José António *(appointed on 20 December 2017)*
Ms. Leong Iat Lun *(appointed on 20 December 2017)*

In accordance with the Company's Articles of Association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. Mr. Che Chan U, Ms. Lei Soi Kun, Mr. Wan Yee Sang, Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun will retire at the forthcoming AGM and will offer themselves for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term.

Each of the independent non-executive Directors have been appointed on 20 December 2017 and are subject to retirement by rotation and re-election at AGM of the Company at least once every three years and until terminated by not less than three months' notice in writing served by either the Company or the respective independent non-executive Director.

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this annual report, the interests and short positions of each Director and CEO in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

The Company

Name of Director	Capacity	Number of Shares held/ interested[1]	Approximate percentage of the total issued Shares
Che Chan U ("Mr.Che")	Interest held jointly with another person; interest in a controlled corporation[2]	541,500,000 Shares (L)	71.25%
Lei Soi Kun ("Ms. Lei")	Interest held jointly with another person; interest in a controlled corporation[2]	541,500,000 Shares (L)	71.25%
Wan Yee Sang ("Mr. Wan")	Interest held jointly with another person; interest in a controlled corporation[3]	28,500,000 Shares (L)	3.75%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

(2) The Company was held as to approximately 71.25% by Space Investment (BVI) Ltd ("Space Investment"). Space Investment is held as to 94.74% by Mr. Che and 5.26% by Ms. Lei.

(3) The Company was held as to 3.75% by SW Construction. SW Construction is held as to 100% by Mr. Wan.

REPORT OF THE DIRECTORS (continued)

Associated corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares held/ interested[1]	Approximate percentage of the total issued Shares
Mr. Che	Space Investment	Beneficial owner	9,474 shares (L)	94.74%
Ms. Lei	Space Investment	Beneficial owner	526 shares (L)	5.26%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

Save as disclosed above, as at the date of this annual report, none of the Directors and CEO had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 20 December 2017, a share option scheme (the "Share Option Scheme") was approved and adopted by the Shareholders, under which, options may be granted to any Eligible Participants (as defined below) to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the following persons (the "Eligible Participants"): (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are: (aa) contribution to the development and performance of the Group; (bb) quality of work performed for the Group; (cc) initiative and commitment in performing his/her duties; and (dd) length of service or contribution to the Group.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 76,000,000 Shares, being 10% of the shares in issue as at the Listing Date.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK$1 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall not be less that the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 20 December 2017.

No share option has been granted by the Company under the Share Option Scheme since its adoption up to the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the date of this annual report, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held/ interested(1)	Approximate percentage of the total issued Shares
Space Investment	Beneficial owner [(2)]	541,500,000 Shares (L)	71.25%
Ng Lai Kuan ("Ms. Ng")	Interest of spouse [(3)]	541,500,000 Shares (L)	71.25%
Loi Ka Hou	Beneficial owner[(4)]	66,665,000 Shares (L)	8.77%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

(2) Space Investment is directly interested in 71.25% in the Company.

(3) Ms. Ng is the spouse of Mr. Che. Ms. Ng is deemed to be interested in the same number of Shares in which Mr. Che is interested by virtue of the SFO.

(4) According to the disclosure of interest filing by Loi Ka Hou dated 17 January 2018, Loi Ka Hou purchased 66,665,000 Shares on 16 January 2018.

Save as disclosed above, as at the date of this annual report, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" and the related party transactions as disclosed in note 23 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the business of the Group to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraph headed "Connected Transactions", the significant related party transactions that did not constitute connected transactions under the Listing Rules made during the year ended 31 December 2017 were disclosed in note 23 to the consolidated financial statements.

COMPETING INTEREST

There were no competing business of which any Directors or their respective close associates had a material interest, whether directly or indirectly, subsisted as at 31 December 2017 or at any time during the year ended 31 December 2017.

DEED OF NON-COMPETITION

Each of Mr. Che, Ms. Lei and Space Investment (each a "Non-Compete Covenantor") has entered into a deed of non-competition ("Deed of Non-competition") dated 22 December 2017 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received the annual confirmation of the Non-Compete Covenantors in respect of their compliance with the noncompetition undertakings under the Deed of Non-competition during the year ended 31 December 2017. The independent non-executive Directors also reviewed the Non-Compete Covenantors' compliance with the non-competition undertakings.

The independent non-executive Directors confirmed that the Non-Compete Covenantors were not in breach of the noncompetition undertakings during 31 December 2017.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of market trends and the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holding of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

1. One-Off Transaction with Tin Sum Development Co. Ltd. ("Tin Sum")

On 28 July 2015, Space Construction & Engineering Co., Ltd. ("Space Construction"), an indirect wholly-owned subsidiary of the Group, entered into a contract with Tin Sum (a limited company owned as to 79.9% by Mr. Che) for structural engineering works in relation to a yacht club in Macau. The contract amount is approximately MOP2.4 million. The works commenced in May 2017 and were completed in December 2017.

The contract was awarded to Space Construction pursuant to an invitation by quotation where a number of quotations were obtained. The contract is under normal commercial term and is fair and reasonable. The other salient terms of the contract are set out in the section headed "Connected Transaction" in the Prospectus.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transaction under the contract with Tin Sum are less than 5% and the total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such connected transaction constitutes a de minimis transaction and is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. **Sale of a property by Space Construction to Mr. Che**

On 27 April 2017, Space Construction entered into a provisional sale and purchase agreement with Mr. Che pursuant to which Space Construction agreed to sell a property situated at Rua Das Estalagens No.112-112B, Meng Yu Rés-do-chão A in Macau to Mr. Che for a consideration of HK$40,000,000 (approximately MOP41,200,000). The property was held as an investment property. As property investment is not the business of the Group, the Group decided to dispose of the property to Mr. Che.

As the consideration payable to the Group is in line with the value of the property as assessed by an independent valuer, details of which are set out in "Appendix III – Property Valuation" of the Prospectus, the Directors consider that the transaction was fair and reasonable and on normal commercial terms.

The transaction was completed in July 2017.

3. **Purchase of certain properties by Space Construction from Mr. Che**

On 25 April 2017, Space Construction entered into four provisional sale and purchase agreements with Mr. Che pursuant to which Space Construction agreed to purchase certain properties situated at Coloane, Rua Do Caetano No. 23, 25-27, 32 and 34 in Macau for an aggregate consideration of HK$81,500,000 (approximately MOP83,945,000).

As the consideration payable by the Group is in line with the value of the property as assessed by an independent valuer, details of which are set out in "Appendix III – Property Valuation" of the Prospectus, the Directors consider that the transaction was fair and reasonable and on normal commercial terms.

The transaction was completed on 15 November 2017. The Company purchased the properties because the location of the properties are in close proximity to the Company's target customers. The properties are intended to be used as offices.

CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the year ended 31 December 2017 is set out in the sections headed "Corporate Governance Report" on pages 11 to 19 of this annual report.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for approximately 95.7% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for approximately 40.4%.

During the year ended 31 December 2017, purchase from the Group's five largest suppliers accounted for approximately 73.7% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for approximately 35.7%.

During the year ended 31 December 2017, subcontracting fees paid/payable to the Group's five largest subcontractors accounted for approximately 76.6% of the Group's total subcontracting fees and subcontracting fees paid/payable to the Group's largest subcontractor accounted for approximately 30.4%.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2018 with net proceeds received by the Company from the Share Offer in the estimated amount of HK$188.8 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

From the Listing Date to the date of this annual report, the net proceeds had been applied as follows:

Use of Net Proceeds from the Share Offer

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Finance fitting-out projects in Macau	46.1	8.0	38.1
Finance building construction projects in Macau	127.6	41.6	86.0
General working capital	15.1	2.0	13.1
Total	188.8	51.6	137.2

As at 29 March 2018, the unutilised net proceeds from the Share Offer were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau.

SUBSEQUENT EVENTS

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2018. The Prospectus dated 28 December 2017 was published on the Company's website (spacegroup.com.mo) and on the HKEx news website of Stock Exchange (www.hkexnews.hk).

Save as disclosed in this annual report, there was no important event affecting the Group that had occurred since the end of 31 December 2017.

PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years is set out on page 113.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the AGM of the Company to be held on 13 June 2018 (Wednesday) (the "2017 AGM"), the register of members of the Company will be closed from 8 June 2018 (Friday) to 13 June 2018 (Wednesday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 7 June 2018 (Thursday).

AUDITOR

The accompanying consolidated financial statements have been audited by KPMG who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint KPMG as the independent auditor of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

Che Chan U
Chairman

Hong Kong, 29 March 2018

* For identification purposes only

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Space Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Space Group Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 58 to 112, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the shareholders of
Space Group Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Contract accounting estimates

Refer to notes 3 and 4 to the consolidated financial statements and the accounting policies in notes 2(i) and 2(q)(i)

The key audit matter

The Group recorded revenue from the provision of fitting-out and building construction works totalling MOP482.4 million for the year ended 31 December 2017.

Contract revenue and profit are recognised using the percentage of completion method, measured by reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date. The recognition of revenue and profit therefore relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated and ascertained damages and in assessing the ability of the Group to deliver services according to the agreed timetable.

How the matter was addressed in our audit

Our audit procedures to assess contract accounting estimates included the following:

- assessing the design and implementation of key internal controls over the contract revenue and profit recognition processes;

- discussing with management the performance of contracts in progress during the year, on a sample basis, and challenging the key estimates and assumptions adopted in the forecasts for contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and the assessment of potential liquidated and ascertained damages for contracts which were behind schedule, by obtaining and evaluating relevant information in connection with the assumptions adopted, including contract agreements and subcontracts, correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts;

- obtaining a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to-date and future cost estimates to agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion;

Independent auditor's report to the shareholders of
Space Group Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Contract accounting estimates (continued)

Refer to notes 3 and 4 to the consolidated financial statements and the accounting policies in notes 2(i) and 2(q)(i)

The key audit matter

We identified contract accounting estimates as a key audit matter because the estimation of the total contract revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.

How the matter was addressed in our audit

- comparing the percentage of contract revenue recognised for major contracts in progress during the year, with certifications from the surveyors appointed by the customers;

- conducting site visits, on a sample basis, to observe the progress of individual contracts, discussing with site personnel the status of each project and evaluating whether the project progress was consistent with the agreed timetable and the Group's financial accounting records;

- performing a retrospective review of contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's forecasting process; and

- inspecting a sample of contract agreements with customers and subcontractors to identify key terms and conditions, including the contracting parties, the contract period, the contract sum, the scope of work, the methodology for calculating liquidated and ascertained damages, and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete in the forecast of the outcome of the contracts.

Independent auditor's report to the shareholders of
Space Group Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Independent auditor's report to the shareholders of
Space Group Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report to the shareholders of
Space Group Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Tai Cheong.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017
(Expressed in Macau Pataca)

	Note	2017 MOP'000	2016 MOP'000
Revenue	4	**482,389**	463,309
Cost of sales		**(382,459)**	(357,438)
Gross profit		**99,930**	105,871
Other income	5	**34,185**	176
General and administrative expenses		**(25,398)**	(16,073)
Profit from operations		**108,717**	89,974
Finance costs	6(a)	**(5,735)**	(7,542)
Profit before taxation	6	**102,982**	82,432
Income tax	7(a)	**(13,595)**	(11,741)
Profit for the year		**89,387**	70,691
Attributable to:			
Equity shareholders of the Company		**86,213**	63,809
Non-controlling interests		**3,174**	6,882
Profit for the year		**89,387**	70,691
Earnings per share			
– Basic and diluted	10	**MOP 0.15**	MOP 0.11

The notes on pages 63 to 112 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 20(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Macau Pataca)

	Note	31 December 2017 MOP'000	31 December 2016 MOP'000
Non-current assets			
Property, plant and equipment	11		
– Other property, plant and equipment		88,155	174
– Investment property		–	8,206
		88,155	8,380
Deferred tax assets	18(b)	–	126
		88,155	8,506
Current assets			
Gross amounts due from customers for contract work	15	9,284	19,931
Trade and other receivables	13	297,398	69,897
Amounts due from directors	23(c)	–	208,398
Pledged deposits	14(e)	26,726	37,647
Bank deposits	14(a)	–	1,113
Cash and cash equivalents	14(a)	17,201	19,835
		350,609	356,821
Current liabilities			
Gross amounts due to customers for contract work	15	9,807	1,818
Trade and other payables	16	187,904	100,448
Amounts due to directors	23(c)	–	499
Bank loans and overdrafts and other borrowings	17	191,393	138,501
Tax payable	18(a)	15,652	20,909
		404,756	262,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(Expressed in Macau Pataca)

	Note	31 December 2017 MOP'000	31 December 2016 MOP'000
Net current (liabilities)/assets		(54,147)	94,646
Total assets less current liabilities		34,008	103,152
Non-current liability			
Bank loans and other borrowings	17	71	19,770
NET ASSETS		33,937	83,382
CAPITAL AND RESERVES			
Share capital	20(c)	5,871	150
Reserves		28,066	74,671
Total equity attributable to equity shareholders of the Company		33,937	74,821
Non-controlling interests		–	8,561
TOTAL EQUITY		33,937	83,382

Approved and authorised for issue by the board of directors on 29 March 2018.

Che Chan U
Director

Lei Soi Kun
Director

The notes on pages 63 to 112 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017
(Expressed in Macau Pataca)

	Note	Attributable to equity shareholders of the Company							
		Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000	Other reserve MOP'000	Retained profits MOP'000	Total MOP'000	Non-controlling interests MOP'000	Total equity MOP'000
Balance at 1 January 2016		150	–	100	–	51,949	52,199	12,324	64,523
Changes in equity for 2016:									
Profit and total comprehensive income for the year		–	–	–	–	63,809	63,809	6,882	70,691
Dividend declared	20(b)	–	–	–	–	(41,187)	(41,187)	(10,630)	(51,817)
Deregistration of a non-wholly owned subsidiary		–	–	–	–	–	–	(15)	(15)
Balance at 31 December 2016 and 1 January 2017		**150**	**–**	**100**	**–**	**74,571**	**74,821**	**8,561**	**83,382**
Changes in equity for 2017:									
Profit and total comprehensive income for the year		–	–	–	–	86,213	86,213	3,174	89,387
Dividends declared	20(b)	–	–	–	–	(132,576)	(132,576)	(6,257)	(138,833)
Incorporation of the Company	20(c)(i)	*–	–	–	–	–	*–	–	*–
Incorporation of an intermediate holding company prior to completion of the reorganisation		1	–	–	–	–	1	–	1
Transferred from retained profits		–	–	50	–	(35)	15	(15)	–
Capitalisation issue	20(c)(iii)	5,871	(5,871)	–	–	–	–	–	–
Acquisition of interests from the non-controlling shareholders upon completion of the reorganisation		–	–	–	5,463	–	5,463	(5,463)	–
Arising from reorganisation	20(c)(iv)	(151)	33,938	–	(33,787)	–	–	–	–
Balance at 31 December2017		**5,871**	**28,067**	**150**	**(28,324)**	**28,173**	**33,937**	**–**	**33,937**

* The balances represent amounts less than MOP1,000.

The notes on pages 63 to 112 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017
(Expressed in Macau Pataca)

	Note	2017 MOP'000	2016 MOP'000
Operating activities			
Cash (used in)/generated from operations	14(b)	(42,967)	108,087
Tax paid		(18,726)	(1,633)
Net cash (used in)/generated from operating activities		(61,693)	106,454
Investing activities			
Payment for the purchase of property, plant and equipment		(57,371)	(13)
Proceeds from disposal of property, plant and equipment		28,733	–
Interest received		295	48
Decrease/(increase) in bank deposits		1,113	(1,099)
Net cash used in investing activities		(27,230)	(1,064)
Financing activities			
Proceeds from new bank loans and other borrowings	14(d)	391,298	445,004
Repayment of bank loans and other borrowings	14(d)	(353,904)	(445,493)
Interest paid	14(d)	(5,735)	(7,542)
Payment of listing expenses		(2,944)	(1,389)
Decrease in pledged deposits		10,921	9,521
Decrease/(increase) in net amounts due from/to directors		50,853	(90,731)
Proceeds from incorporation of an intermediate holding company prior to completion of the reorganisation		1	–
Net cash generated from/(used in) financing activities		90,490	(90,630)
Net increase in cash and cash equivalents		1,567	14,760
Cash and cash equivalents at the beginning of the year		(8,995)	(23,755)
Cash and cash equivalents at the end of the year	14(a)	(7,428)	(8,995)

The notes on pages 63 to 112 form part of these financial statements.

1 GENERAL INFORMATION

Space Group Holdings Limited (the "Company") and its subsidiaries (together, "the Group") are principally engaged in the fitting-out works and building construction works. The Company was incorporated in the Cayman Islands on 24 April 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation of the Group (the "Reorganisation") which was completed on 20 December 2017 to rationalise the corporate structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 28 December 2017 (the "Prospectus").

The above mentioned principal activities of the Group were carried out by Space Construction & Engineering Co., Ltd. ("Space Construction") and its subsidiaries. The companies now comprising the Group were under the common control of Mr. Che Chan U and Ms. Lei Soi Kun as the controlling shareholders before and after the Reorganisation.

As the control is not transitory and, consequently, there was a continuation of risks and benefits to the controlling shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The financial information before the completion of the Reorganisation has been prepared using the merger basis of accounting as if the Group has always been in existence.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group include the results of operations of the Company and its subsidiaries for 2016 as if the Reorganisation was completed at 1 January 2016. The consolidated statement of financial position of the Group as at 31 December 2016 has been prepared to present the financial position of the Company and its subsidiaries as if the entities now comprising the Group had been consolidated as at that date.

The Company's shares were listed on the Stock Exchange on 16 January 2018 (the "Listing").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

These financial statements are presented in Macau Pataca ("MOP"). The measurement basis used in the preparation of the financial statement is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

At 31 December 2017, the Group's current liabilities exceeded its current assets by MOP54,147,000. This was mainly caused by the drawdown of bank loans amounting to MOP58,435,000 for financing the purchase of land amounting to MOP87,555,000 during the year. Such bank loans carry specified repayment schedules for a period of over one year but were classified as current liabilities due to the existence of a repayment on demand clause, which give the banks unconditional rights to call the loans at any time. These consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of the Group at 31 December 2017 because the directors expect the bank loans to be repaid based on the specified repayment schedules amid the existence of the repayment on demand clause and the proceeds from initial public offering of MOP234,840,000 received by the Group in January 2018 would be sufficient to meet its liabilities as and when they fall due for the foreseeable future.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 14(d) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statements of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in these financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing these financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(h)).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Macau Pataca unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(h)). Depreciation is calculated on a straight-line basis to write down the costs of investment properties, less their estimated residual values, if any, using the straight-line method over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 25 years.

Both the useful lives of the investment properties and their residual values, if any, are reviewed annually.

Rental income from investment properties is accounted for as described in note 2(q)(ii).

(f) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Freehold land is not depreciated	
–	Furniture, fixtures and equipment	5 years
–	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that investment property and other property, plant and equipment and investments in subsidiaries may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(q)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statement of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Contract revenue

When the outcome of a construction contract can be estimated reliably:

(i) revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.

(ii) revenue from cost plus construction contracts is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in these financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Sources of estimation uncertainty

(a) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Construction contracts

As explained in policy notes 2(i) and 2(q)(i), revenue and profit recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customers/recoverable costs incurred during the period plus an appropriate proportion of the total fee. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs and revises the budgeted construction costs as appropriate.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustments to the amounts recorded to date.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the net amounts received and receivable for fitting-out works and building construction works rendered by the Group to customers and is analysed as follows:

	2017 MOP'000	2016 MOP'000
Revenue from fitting-out works	332,864	184,755
Revenue from building construction works	149,525	278,554
	482,389	463,309

(b) Segment information

The Group manages its businesses by business lines. 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 presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Fitting-out works: this segment is involved in execution of fitting-out works, procurement of materials, site supervision, management of subcontractors, overall project management, interior decorative and modification works for existing buildings.

– Building construction works: this segment is involved in structural building works, procurement of materials, site supervision, management of subcontractors and overall project management.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is gross profit.

4 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Segment results (Continued)

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in these financial statements.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue.

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 years ended 31 December 2017 and 2016 is set out below.

Year ended 31 December 2017

	Fitting-out works MOP'000	Building construction works MOP'000	Total MOP'000
Revenue from external customers and reportable segment revenue	332,864	149,525	482,389
Segment profit	66,658	33,272	99,930

Year ended 31 December 2016

	Fitting-out works MOP'000	Building construction works MOP'000	Total MOP'000
Revenue from external customers and reportable segment revenue	184,755	278,554	463,309
Segment profit	35,952	69,919	105,871

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Macau Pataca unless otherwise indicated)

4 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(ii) Reconciliations of reportable segment profit

	2017 MOP'000	2016 MOP'000
Profit		
Reportable segment profit	**99,930**	105,871
Other income	**34,185**	176
Finance costs	**(5,735)**	(7,542)
Unallocated head office and corporate expenses	**(25,398)**	(16,073)
Consolidated profit before taxation	**102,982**	82,432

(iii) Geographical information

The Group's operations are solely located in Macau.

(iv) Information about major customers

Revenue from customers during the year contributing over 10% of the total revenue of the Group is as follows:

	2017 MOP'000	2016 MOP'000
Customer A (note (i))	**194,850**	–
Customer B (note (ii))	**146,350**	278,554
Customer C (note (i))	**71,094**	–
Customer D (note (i))	**N/A#**	152,905

Notes:

The corresponding revenue did not contribute over 10% of the Group's revenue.

(i) These transactions are attributable to segment of fitting-out works.

(ii) This transaction is attributable to segment of building construction works.

5 OTHER INCOME

	2017 MOP'000	2016 MOP'000
Gain on disposal of investment property	**33,200**	–
Interest income	**295**	62
Rental income	**288**	–
Others	**402**	114
	34,185	176

6 PROFIT BEFORE TAXATION

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

	2017 MOP'000	2016 MOP'000
(a) Finance costs		
Interest on bank loans and overdrafts and other borrowings	**5,735**	7,542
(b) Staff costs		
Contributions to defined contribution retirement plans	**279**	1,078
Salaries, wages and other benefits	**27,626**	49,853
	27,905	50,931
Add: Amount included in construction contracts in progress	**1,685**	97
	29,590	51,028

6 PROFIT BEFORE TAXATION (Continued)

	2017 MOP'000	2016 MOP'000
(c) Other items		
Depreciation	**276**	586
Rentals receivable from investment property less direct outgoings of MOP206,000 (2016: MOP464,000)	**(82)**	464
Auditors' remuneration (Note)	**1,339**	–
Listing expenses	**10,783**	4,167
Operating lease charges: minimum lease payments		
– machinery and equipment	**219**	3,345
– properties	**923**	613
	1,142	3,958
Add: Amount included in construction contracts in progress	**114**	578
	1,256	4,536

Note: No auditors' remuneration was incurred for the year ended 31 December 2016 as the Group was not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 MOP'000	2016 MOP'000
Current tax – Macau Complementary Tax		
Provision for the year	13,469	11,766
Deferred tax		
Origination and reversal of temporary differences	126	(25)
	13,595	11,741

Notes:

(i) 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.

(ii) The provision for Macau Complementary Tax for 2017 is calculated at 12% (2016: 12%) of the estimated assessable profits for the year.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017 MOP'000	2016 MOP'000
Profit before taxation	102,982	82,432
Notional tax on profit before taxation calculated at 12% (2016: 12%)	12,358	9,892
Tax effect of non-deductible expenses	1,424	2,065
Tax effect of tax exemption under Macau Complementary Tax	(187)	(216)
Actual tax expense	13,595	11,741

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Macau Pataca unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	Retirement scheme contributions MOP'000	2017 Total MOP'000
Executive Directors					
Che Chan U	–	600	–	–	600
Lei Soi Kun	–	240	–	–	240
Wan Yee Sang	–	508	–	–	508
Independent Non-executive Directors					
Fan Chun Wah, Andrew (appointed on 20 December 2017)	–	–	–	–	–
Eulógio dos Remédios, José António (appointed on 20 December 2017)	–	–	–	–	–
Leong Iat Lun (appointed on 20 December 2017)	–	–	–	–	–
Total	–	1,348	–	–	1,348

	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	Retirement scheme contributions MOP'000	2016 Total MOP'000
Executive Directors					
Che Chan U	–	600	–	–	600
Lei Soi Kun	–	240	–	–	240
Wan Yee Sang	–	530	–	–	530
Total	–	1,370	–	–	1,370

Notes:

(i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the year.

(ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2016: none) of them are directors. The aggregate of the emoluments in respect of these five (2016: five) individuals are as follows:

	2017 MOP'000	2016 MOP'000
Salaries and other emoluments	3,815	4,212
Discretionary bonuses	1,538	235
Retirement benefit scheme contributions	2	–
	5,355	4,447

The emoluments of the five (2016: five) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	3	4
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	–

None of the five highest paid individuals of the Group received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10 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 Company of MOP86,213,000 (2016: MOP63,809,000) and 570,000,000 ordinary shares (2016: 570,000,000 shares) on the assumption that the Reorganisation and the Capitalisation Issue (as defined in the prospectus of the Company dated 28 December 2017) have been effective on 1 January 2016.

(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 years.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land held for own use MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Sub-total MOP'000	Investment property MOP'000	Total MOP'000
Cost:						
At 1 January 2016	–	251	692	943	10,300	11,243
Additions	–	13	–	13	–	13
Disposals	–	–	(664)	(664)	–	(664)
At 31 December 2016	–	264	28	292	10,300	10,592
At 1 January 2017	–	264	28	292	10,300	10,592
Additions	87,555	481	15	88,051	–	88,051
Disposals	–	–	–	–	(10,300)	(10,300)
At 31 December 2017	87,555	745	43	88,343	–	88,343
Accumulated depreciation:						
At 1 January 2016	–	59	62	121	1,682	1,803
Charge for the year	–	47	127	174	412	586
Written back on disposals	–	–	(177)	(177)	–	(177)
At 31 December 2016	–	106	12	118	2,094	2,212
At 1 January 2017	–	106	12	118	2,094	2,212
Charge for the year	–	62	8	70	206	276
Written back on disposals	–	–	–	–	(2,300)	(2,300)
At 31 December 2017	–	168	20	188	–	188
Net book value:						
At 31 December 2017	87,555	577	23	88,155	–	88,155
At 31 December 2016	–	158	16	174	8,206	8,380

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair value measurement of property

(i) Fair value hierarchy

The fair value measurements are categorised at Level 3 valuations under the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of investment property amounted to MOP40,891,000 as at 31 December 2016. The valuation was carried out by an independent firm of surveyors, Savills (Macau) Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's chief financial officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

(ii) Valuation techniques and inputs used in Level 3 fair value measurement

	At 31 December 2016		
	Valuation techniques	**Unobservable input**	**Range**
Investment property Commercial – Macau	Income capitalisation approach	Adjusted market rent per sq. ft.	MOP176 to MOP265
		Capitalisation rate	1.25% to 1.80%

The fair value of investment properties located in Macau is determined by income capitalisation approach. The current rent derived from the existing tenancy is capitalised with the provision for any reversionary income potential. The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) The analysis of net book value of property is as follows:

	2017 MOP'000	2016 MOP'000
Investment property in Macau – long leases	–	8,206

On 27 April 2017, the Group entered into an agreement to dispose of the investment property at MOP41,200,000 to Mr. Che Chan U, a director of the Group, and the disposal was completed on 7 July 2017.

(d) Investment property leased out under operating leases

The Group leases out investment property which is located in Macau under operating leases. The leases typically run for an initial period of three years. None of the leases includes contingent rentals.

The property held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

Total future minimum leases payments under non-cancellable operating leases are receivable as follows:

	2017 MOP'000	2016 MOP'000
Within 1 year	–	463
After 1 year but within 5 years	–	526
	–	989

12 INVESTMENTS IN SUBSIDIARIES

The following list contains subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Space Construction (BVI) Ltd	The British Virgin Islands	200 shares of US$1 each	100%	100%	–	Investment holding
Space Construction & Engineering Co., Ltd.	Macau	MOP100,000	100%	–	100%	Construction and engineering
Companhia Space Grupo Limitada	Macau	MOP50,000	100%	–	100%	Inactive
Space Oriental Construction & Engineering Co., Ltd	Macau	MOP100,000	100%	–	100%	Construction and engineering
Minsang Oriental Limited	Macau	MOP100,000	100%	–	100%	Construction and engineering

13 TRADE AND OTHER RECEIVABLES

	2017 MOP'000	2016 MOP'000
Trade debtors		
– Third parties	228,239	17,256
– A related company (note (iii))	1,859	–
Less: allowance for doubtful debts (note 13(b))	(522)	(522)
	229,576	16,734
Amount due from a related company (notes (ii) and (iii))	119	–
Deposits, prepayments and other receivables (note (i))	23,083	16,596
Retention receivables (note (ii))	44,620	36,567
	297,398	69,897

13 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Except for an amount of MOP54,000 (2016: MOP19,000) which is expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year

(ii) Except for an amount of MOP17,015,000 (2016: MOP12,862,000) which is expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

(iii) The related company is related to the Group as it is owned by Mr. Che Chan U, a director of the Group.

(a) Ageing analysis

At 31 December 2017, 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 allowance for doubtful debts, is as follows:

	2017 MOP'000	2016 MOP'000
Within 1 month	**21,149**	16,734
1 to 3 months	**62,746**	–
3 to 6 months	**94,500**	–
6 to 12 months	**51,181**	–
	229,576	16,734

Trade debtors are normally due within 0 to 45 days from the date of billing. Further details on the Group's credit policy are set out in note 21(a).

13 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(h)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017	2016
	MOP'000	MOP'000
At 1 January/31 December	**522**	522

At 31 December 2017, trade debtors of MOP522,000 (2016: MOP522,000) were individually determined to be impaired. The individually impaired receivables were long overdue and management assessed that these receivables are not recoverable. Consequently, specific allowances for doubtful debts of MOP522,000 (2016: MOP522,000) were recognised at 31 December 2017. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	MOP'000	MOP'000
Neither past due nor impaired	**48,349**	16,734
Less than 1 month past due	**34,025**	–
1 to 3 months past due	**70,263**	–
3 to 6 months past due	**67,862**	–
6 to 12 months past due	**9,077**	–
	181,227	–
	229,576	16,734

13 TRADE AND OTHER RECEIVABLES (Continued)

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14 CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND PLEDGED DEPOSITS

(a) Cash and cash equivalents and bank deposits comprise:

	2017 MOP'000	2016 MOP'000
Deposits with banks	9,678	–
Cash at bank and on hand	7,523	19,835
Cash and cash equivalents in the consolidated statement of financial position	17,201	19,835
Bank overdrafts (note 17)	(24,629)	(28,830)
Cash and cash equivalents in the consolidated cash flow statement	(7,428)	(8,995)
Bank deposits with more than three months to maturity when placed	–	1,113

14 CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND PLEDGED DEPOSITS (Continued)

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	2017 MOP'000	2016 MOP'000
Profit before taxation		102,982	82,432
Adjustments for:			
Interest income	5	(295)	(62)
Gain on disposal of investment property	5	(33,200)	–
Finance costs	6(a)	5,735	7,542
Depreciation	6(c)	276	586
Changes in working capital:			
Decrease in gross amounts due from customers for contract work		10,647	7,273
(Increase)/decrease in trade and other receivables		(224,557)	49,148
Increase in gross amounts due to customers for contract work		7,989	31
Increase/(decrease) in trade and other payables		87,456	(38,863)
Cash (used in)/generated from operations		**(42,967)**	**108,087**

(c) Major non-cash transactions

As disclosed in note 11(c), the Group disposed of an investment property to a director at MOP41,200,000 for the year ended 31 December 2017, of which MOP12,467,000 were set off against "Amounts due from directors".

As disclosed in note 20(b), dividends of MOP138,833,000 (2016: MOP51,817,000) for the year ended 31 December 2017 were set off against "Amounts due from directors".

As disclosed in note 23(b), the Group disposed of a motor vehicle at its carrying value of MOP487,000 to a related company for the year ended 31 December 2016, which was set off against "Amounts due from directors".

As disclosed in note 23(b), the Group purchased a land held for own use from a director at MOP83,945,000 for the year ended 31 December 2017, of which MOP30,680,000 were set off against "Amounts due from directors".

14 CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND PLEDGED DEPOSITS (Continued)

(d) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings MOP'000
At 1 January 2017 (note 17)	129,441
Changes from financing cash flows:	
Proceeds from new bank loans and other borrowings	391,298
Repayment of bank loans and other borrowings	(353,904)
Interest paid	(5,735)
Total changes from financing cash flows	31,659
Other change:	
Interest expenses (note 6(a))	5,735
At 31 December 2017 (note 17)	166,835

(e) Pledged deposits

The balance represents deposits pledged to secure the banking facilities (including bank loans and overdraft and issuance of performance bonds).

15 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 MOP'000	2016 MOP'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	499,878	601,544
Less: Progress billings received and receivable	(490,594)	(581,613)
	9,284	19,931
Gross amounts due to customers for contract work		
Progress billings received and receivable	254,645	35,177
Less: Contract costs incurred plus recognised profits less recognised losses	(244,838)	(33,359)
	9,807	1,818

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

16 TRADE AND OTHER PAYABLES

	2017 MOP'000	2016 MOP'000
Trade payables	140,286	48,819
Amount due to a related company (note (iii))	382	–
	140,668	48,819
Retention payables (note (ii))	29,571	19,431
Other payables and accruals	17,665	32,198
	187,904	100,448

Notes:

(i) Save as disclosed in note 16(ii) below, all trade and other payables are expected to be settled within one year.

(ii) Except for an amount of MOP15,589,000 (2016: MOP10,120,000), all of the remaining balances are expected to be settled within one year.

(iii) The related company is related to the Group as it is owned by Ms. Lei Soi Kun, a director of the Group. The balance is trade-related, unsecured, interest-free and due within 35 days from date of billing.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Macau Pataca unless otherwise indicated)

16 TRADE AND OTHER PAYABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade payables and amount due to a related company based on the invoice date is as follows:

	2017 MOP'000	2016 MOP'000
Within 1 month	35,164	26,913
1 to 3 months	23,328	13,197
3 to 6 months	44,272	468
Over 6 months	37,904	8,241
	140,668	48,819

17 BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS

At 31 December 2017, the bank loans and overdrafts and other borrowings were repayable as follows:

	2017 MOP'000	2016 MOP'000
Within 1 year or on demand	191,393	138,501
After 1 year but within 2 years	71	19,699
After 2 years but within 5 years	–	71
	71	19,770
	191,464	158,271

At 31 December 2017, the bank loans and overdrafts and other borrowings were secured as follows:

	2017 MOP'000	2016 MOP'000
Secured overdrafts (note 14(a))	24,629	28,830
Secured bank loans	166,692	129,227
Unsecured other borrowings	143	214
Liabilities arising from financing activities (note 14(d))	166,835	129,441
	191,464	158,271

17 BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS (Continued)

At 31 December 2017, the banking facilities (including bank loans and overdrafts and performance bonds) granted to the Group were secured by:

(i) Land held by the Group with carrying amount of MOP87,555,000 (2016: Nil);

(ii) Pledged deposits of MOP26,726,000 (2016: MOP37,647,000);

(iii) Corporate guarantees provided by the Company and certain subsidiaries;

(iv) Guarantees provided by the Industrial and Commercial Development Fund of the Government of the Macau Special Administrative Region;

(v) Personal guarantees provided by directors of the Company;

(vi) Personal properties owned by directors of the Company; and

(vii) Assignment of insurance proceeds over a director of the Company.

At 31 December 2016, except for securities set out in items (ii) to (vii) above, the banking facilities (including bank loans and overdrafts and performance bonds) granted to the Group were also secured by investment property held by the Group with carrying amount of MOP8,206,000 and assignment of rental income derived from this investment property.

Unsecured other borrowings represented the interest-free loan from the Industrial and Commercial Development Fund of the Government of the Macau Special Administrative Region. The loan is repayable half-yearly by instalments and the final instalment will be repayable in September 2019.

Notwithstanding the specified repayment schedules as stated in the facilities letters ("specific repayment terms") which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("repayment on demand clause"). At 31 December 2017, bank loans of MOP91,029,000 (2016: MOP49,314,000) are subject to the repayment on demand clause, of which MOP56,603,000 (2016: MOP8,948,000) are repayable after one year based on the specific repayment terms and were classified as current liabilities in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Macau Pataca unless otherwise indicated)

17 BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS (Continued)

However, management expects that the bank loans and overdrafts and other borrowings are to be repaid as follows based on the specific repayment terms:

	2017 MOP'000	2016 MOP'000
Bank loans, overdrafts and other borrowings due for repayment within one year or on demand:		
Overdrafts repayable on demand	**24,629**	28,830
Bank loans and other borrowings due for repayment within one year	**110,161**	100,723
	134,790	129,553
Bank loans and other borrowings due for repayment after one year (Note):		
After 1 year but within 2 years	**4,114**	20,466
After 2 years but within 5 years	**12,126**	6,541
After 5 years	**40,434**	1,711
	56,674	28,718
	191,464	158,271

Note: The presentation of amounts due for repayment are based on the specific repayment terms set out in the facilities letters and the effect of any repayment on demand clause is ignored.

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

(a) Current taxation in the consolidated statement of financial position

	2017 MOP'000	2016 MOP'000
Provision for Macau Complementary Tax for the year	13,469	11,766
Balance of Complementary Tax provision relating to prior years	2,183	9,143
	15,652	20,909

(b) Deferred tax assets recognised:

Movement of deferred tax assets

Deferred tax assets recognised in the consolidated statement of financial position arose from depreciation in excess of the related depreciation allowances and the movements during the year are as follows:

	2017 MOP'000	2016 MOP'000
At the beginning of the year	126	101
(Charged)/credited to profit or loss	(126)	25
At end of the year	–	126

(c) There were no material unrecognised deferred tax assets and liabilities as at 31 December 2016 and 2017.

19 EMPLOYEE RETIREMENT BENEFITS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(Expressed in Macau Pataca unless otherwise indicated)

20 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital MOP'000	Share premium MOP'000	Total MOP'000
Balance at 24 April 2017 (date of incorporation)	20(c)(i)	*–	–	*–
Changes in equity for the period from 24 April 2017 to 31 December 2017:				
Capitalisation Issue	20(c)(iii)	5,871	(5,871)	–
Arising from Reorganisation	20(c)(iv)	–	33,938	33,938
Balance at 31 December 2017		5,871	28,067	33,938

* The balances represent amounts less than MOP1,000.

(b) Dividends

During the year ended 31 December 2017, the Group's subsidiaries declared dividends of MOP138,833,000 (2016: MOP51,817,000) to the then shareholders. The Company was incorporated on 24 April 2017 and no dividend was declared or paid by the Company during the year to its equity shareholders.

20 CAPITAL AND RESERVES (Continued)

(c) Share capital

	Note	The Company 2017 No. of shares	The Company 2017 Amount MOP'000
Authorised ordinary shares of HK$0.01 each:			
At 24 April 2017 (date of incorporation)	(i)	38,000,000	391
Increase in authorised share capital	(ii)	1,962,000,000	20,209
At 31 December 2017		2,000,000,000	20,600
Ordinary shares, issued and fully paid:			
At 24 April 2017 (date of incorporation)	(i)	100	–
Capitalisation Issue	(iii)	569,999,800	5,871
Arising from Reorganisation	(iv)	100	–
At 31 December 2017		570,000,000	5,871

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

(i) The Company was incorporated on 24 April 2017 with an authorised share capital of HK$380,000 (approximately equivalents to MOP391,000) divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 100 shares were allotted and issued at par value.

(ii) On 20 December 2017, pursuant to the written resolutions of the shareholders of the Company, the authorised share capital of the Company was increased from 38,000,000 shares to 2,000,000,000 shares by the creation of additional 1,962,000,000 shares, ranking pari passu in all respects with the shares in issue as at the date of passing of the written resolution.

(iii) On 20 December 2017, pursuant to the written resolutions of the shareholders of the Company, the directors were authorised to capitalise an amount of HK$5,700,000 (approximately equivalents to MOP5,871,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 569,999,800 shares for allotment and issue to the persons whose names appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis (the "Capitalisation Issue").

(iv) On 20 December 2017, 100 shares were allotted and issued to acquire the whole equity interest in Space Construction BVI. Share premium is recognised on the surplus arising on issue of shares of the Company in exchange for shares in subsidiaries arose as a result of the Reorganisation. The amount represents the excess of the consolidated net asset value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

20 CAPITAL AND RESERVES (Continued)

(c) Share capital (Continued)

Upon the completion of the Reorganisation on 20 December 2017, the Company became the holding company of the Group.

Since the Reorganisation was not yet completed as at 31 December 2016, the share capital as at 31 December 2016 represented the combined share capital of Space Construction and Companhia Space Grupo Limitada. The share capital as at 31 December 2017 represented the share capital of the Company.

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividends is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Legal reserve

In accordance with Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital.

(iii) Other reserve

The capital reserve was created as a result of the Reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange.

20 CAPITAL AND RESERVES (Continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

(f) Distributable reserves

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated in accordance with the Companies Law of the Cayman Islands and the Company's memorandum and articles of association, was MOP28,067,000 (2016: Nil).

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 to 45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At the end of the reporting period, 66% (2016: 99%) of the total trade debtors was due from the Group's largest customer respectively and 97% (2016: 100%) of the total trade debtors was due from the Group's five largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term. Note 2(b) explains the management's plan for managing liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For bank loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

	At 31 December 2017					
	Carrying amount MOP'000	**Total contractual undiscounted cash flow MOP'000**	**Within 1 year or on demand MOP'000**	**More than 1 year but less than 2 years MOP'000**	**More than 2 years but less than 5 years MOP'000**	**More than 5 years MOP'000**
Trade and other payables	**187,904**	**187,904**	**172,315**	**15,589**	**–**	**–**
Bank loans and overdrafts and other borrowings	**191,464**	**207,392**	**138,302**	**5,845**	**16,550**	**46,695**
	379,368	**395,296**	**310,617**	**21,434**	**16,550**	**46,695**
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		**(14,439)**	**54,580**	**(5,774)**	**(16,550)**	**(46,695)**
		380,857	**365,197**	**15,660**	**–**	**–**

	At 31 December 2016					
	Carrying amount MOP'000	Total contractual undiscounted cash flow MOP'000	Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	More than 5 years MOP'000
Trade and other payables	100,448	100,448	90,328	10,120	–	–
Amounts due to directors	499	499	499	–	–	–
Bank loans and overdrafts and other borrowings	158,271	160,655	131,266	20,929	6,707	1,753
	259,218	261,602	222,093	31,049	6,707	1,753
Adjustments to present cash flows on bank loans based on lender's right to demand repayment		(813)	8,555	(979)	(6,636)	(1,753)
		260,789	230,648	30,070	71	–

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 17 to these financial statements.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings.

	2017		2016	
	Effective interest rate %	Amount MOP'000	Effective interest rate %	Amount MOP'000
Net fixed rate borrowings:				
Other borrowings	–	143	–	214
Variable rate borrowings:				
Bank overdrafts	4.75% – 5.25%	24,629	4.75% – 6.00%	28,830
Bank loans	3.25% – 5.25%	166,692	2.47% – 5.25%	129,227
		191,321		158,057
Total net borrowings		191,464		158,271
Net fixed rate borrowings as a percentage of total net borrowings		0.1%		0.1%

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and total equity by approximately MOP1,684,000 (2016: MOP1,391,000), in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense of such changes in interest rates. The analysis has been performed on the same basis as 2016.

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Macau Pataca.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at the end of the reporting period.

22 OPERATING LEASE COMMITMENTS

At 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	MOP'000	MOP'000
Within 1 year	**320**	467
After 1 year but within 5 years	**–**	163
	320	630

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to four years. None of the leases includes contingent rentals.

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Group and their remuneration is disclosed in note 8.

(b) Transactions with related parties

	Note	2017 MOP'000	2016 MOP'000
Transactions with related parties			
Revenue received from a related company	(i)	2,978	–
Subcontracting fee paid to a related company	(ii)	382	14,781
Less: Amount included in construction contracts in progress		(6)	(1,259)
		376	13,522
Disposal of a motor vehicle to a related company	(iii)	–	487
Acquisition of a land from Mr. Che Chan U, a director of the Group		83,945	–

Notes:

(i) The related company is related to the Group as it is owned by Mr. Che Chan U, a director of the Group.

(ii) The related company is related to the Group as it is owned by Ms. Lei Soi Kun, a director of the Group.

(iii) The related company is related to the Group as it is owned by sister of Mr. Che Chan U and Ms. Lei Soi Kun.

The related party transaction in respect of revenue received from a related company constitutes a connected transaction as defined in Chapter 14A of the Listing Rules. However this transaction is exempt from the disclosure requirements in Chapter 14A of the Listing Rules as it is below the de minimis threshold under Rule 14A.76(1). Other related party transactions do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(c) Balances with related parties

The amounts due from/to directors were non-trade related, unsecured, interest-free and recoverable/repayable on demand.

24 CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in these financial statements were as follows:

	2017 MOP'000	2016 MOP'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	23,645	86,193
Bank guarantees given to potential customers for an invitation to tender	2,059	3,021
	25,704	89,214

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 MOP'000
Non-current asset	
Investments in subsidiaries	33,938
Current assets	
Other receivables	4,333
Cash and cash equivalents	1
	4,334
Current liability	
Amount due to subsidiaries	4,334
Net current assets	–
NET ASSETS	33,938
CAPITAL AND RESERVES	
Share capital	5,871
Reserves	28,067
TOTAL EQUITY	33,938

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In connection with the Company's initial public offering on 16 January 2018, 190,000,000 shares of HK$0.01 each of the Company were issued at an issued price of HK$1.20 and listed on the Main Board of the Stock Exchange.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate parent and ultimate controlling party of the Group to be Space Investment (BVI) Ltd, which is incorporated in the British Virgin Islands. This entity does not provide financial statements available for public use.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretation which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take where there are alternative approaches allowed under the new standards.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. While the Group is in the process of assessing the extent of impact on the impairment provisions under HKFRS 9, it is expected that the application of the expected credit loss model may result in earlier recognition of credit losses which are not yet incurred in relation to the Group's trade and other receivables. The directors of the Company anticipate that the adoption of HKFRS 9 would not have material impact on the results and financial position of the Group based on management's assessment performed so far.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(q).

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

The Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date) and; (ii) input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under the new revenue standard, the Group considers that an output method with reference to progress certificates issued by customers and any adjustment, where it is necessary and can be objectively determined, on the work progress would appropriately depict the transfer of control of goods or services to customers for individual projects under the new standard.

So far as the measurement of progress for the Group's typical contracts is concerned, the Group does not expect the adoption of HKFRS 15 would significantly affect its financial position and performance based on the assessment performed so far.

(b) Timing of recognition of contract costs

The Group's contract costs recognition policies are disclosed in note 2(i).

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Currently, contract costs of the Group are recognised by reference to the stage of completion of the contract, which is measured with reference to the progress certificates issued by the customers. Under HKFRS 15, as contract costs that related to satisfied performance obligations are expensed as incurred, the Group expects that the timing of recognition of contract costs would change and it would no longer be possible to defer or accrue costs to report a consistent margin percentage over the term of a contract.

The Group expects that the adoption of HKFRS 15 will result in additional disclosures in the Group's consolidated financial statements.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. In this regard, the Group plans to take advantage of the practical expedient allowed in HKFRS 15 and apply the new requirements only to contracts that are not completed before 1 January 2018.

HKFRS 16, Leases

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17, *Leases* and the related interpretations including HK(IFRIC) 4, *Determining whether an arrangement contains a lease*.

When HKFRS 16 is adopted in the future, it is expected that certain portion of lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. As disclosed in note 22(a), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to MOP320,000 for properties. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting. The directors of the Company anticipate that the adoption of HKFRS 16 would not have significant impact on the net financial position and performance of the Group based on the assessment performed so far.

FINANCIAL SUMMARY

The consolidated results of Space Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 and the consolidated assets and liabilities of the Group as at 31 December 2017 are those set out in the audited financial statements.

The summary of the consolidated results of the Group for each of the years ended 31 December 2014, 2015 and 2016 and of the consolidated assets and liabilities of the Group as at 31 December 2014, 2015 and 2016 has been extracted from the prospectus issued on 28 December 2017 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 16 January 2018.

No financial statements of the Group for the year ended 31 December 2013 have been published.

The summary below does not form part of the audited financial statements.

	Year ended 31 December			
	2017	2016	2015	2014
	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS				
Revenue	**482,389**	463,309	400,598	129,809
Gross profit	**99,390**	105,871	81,154	28,527
Profit before tax	**102,982**	82,432	63,385	19,468
Income tax expenses	**13,595**	11,741	7,811	2,399
Profit for the year	**89,387**	70,691	57,574	17,069

	As at 31 December			
	2017	2016	2015	2014
	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES				
Total assets	**438,764**	365,327	372,053	268,283
Total liabilities	**404,827**	281,945	307,530	245,972

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Particulars of the principal properties in Macau held by the Group as at 31 December 2017 are as follows:

Properties held for future development

Location	Use	Approximate gross floor area (sq.ft.)	Attributable percentage interest
A development site located at Rua Do Caetano No. 23, 25 and 27, 32, 34, Coloane, Macau	Office use	3,294	100%

The development of the above properties had not commenced as at the date of this annual report.