



Space Group Holdings Limited

恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2448



2020

INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Che Chan U (*Chairman*)
Ms. Lei Soi Kun
Mr. Wan Yee Sang (resigned on 29 July 2020)
Mr. Ho Kwong Yu (appointed on 29 July 2020)

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 (resigned on 29 July 2020)
Mr. Ho Kwong Yu (appointed on 29 July 2020)

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

AUTHORISED REPRESENTATIVES

Mr. Che Chan U
Mr. Ho Kwong Yu

COMPANY SECRETARY

Ms. Li YunLu (*CPA*)

AUDITOR

Pricewaterhouse Coopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2612-13, One Midtown
11 Hoi Shing Road
Tsuen Wan
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 54, 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
CHEUNG & CHOY

STOCK CODE

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

WEBSITE

spacegroup.com.mo

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Space Group Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019 (the “**Previous Period**”).

BUSINESS REVIEW

This is a difficult half year for the global economy, and for the Group since the effect of the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) has carried forward to the year of 2020. The Group fought hard to maintain its business by submitting more projects tenders and strengthen the quality control of the fitting-out works and building construction works provided to its clients.

Fortunately, the business of the Group started to recover toward the end of the six months ended 30 June 2020. The Group continued to concentrate on the fitting-out works for hotel and property owners in Macau and Hong Kong. The building construction works decreased compared with the Previous Period mainly attributable to the completion of the building construction works in Hong Kong by the end of the financial year 2019, partially offset by the start of the building construction works in Macau during the six months ended 30 June 2020.

Despite the record of the decrease in revenue of the Group when compared to the same period in 2019, as the projects and administrative costs are under strictly control by the Management and project team heads, the Group managed to have a positive result for the consolidated statement of profit or loss for the six months ended 30 June 2020. The Group is now concentrated on the projects on hand and currently seeking for new business opportunities, and well prepared to fight hard for the second half of the year.

The Group’s revenue mainly came from (i) fitting-out works; and (ii) building construction works. For the six months ended 30 June 2020, the Group’s total newly awarded fitting-out projects and building construction projects received a total contract amount of approximately MOP228.6 million compared with approximately MOP377.5 million for the six months ended 30 June 2019.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group’s revenue was approximately MOP213.1 million (30 June 2019: approximately MOP266.2 million). For the six months ended 30 June 2020, the Group recorded profit for the period of approximately MOP25.0 million (30 June 2019: approximately MOP33.9 million). During the six months ended 30 June 2020, the Group has 6 ongoing projects (5 were fitting-out projects and 1 of which was building construction project), including 4 fitting-out projects and 1 building construction project which were awarded during the current period.

Revenue

For the six months ended 30 June 2020, revenue of the Group amounted to approximately MOP213.1 million, representing a decrease of approximately 19.9% from approximately MOP266.2 million in the corresponding period in 2019.

The decrease of the Group’s revenue was mainly attributable to the decrease in number of the projects, and the delay of certain projects due to the COVID-19 outbreak during the early of the year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The revenue from fitting-out works in Macau decreased from approximately MOP172.0 million for the six months ended 30 June 2019 to approximately MOP80.6 million for the six months ended 30 June 2020. Such decrease was mainly attributable to the decrease of the number of fitting-out works projects awarded during the six months ended 30 June 2020.

The decrease in revenue from building construction works was mainly attributable to the completion of the building construction projects in Hong Kong when compared to the Previous Period.

Cost of sales

For the six months ended 30 June 2020, cost of sales of the Group amounted to approximately MOP165.2 million, the decrease is in line with the decrease of revenue when compared with approximately MOP202.3 million in the same period in 2019.

The Group's cost of sales decreased mainly attributable to the decrease in the sub-contracting costs and direct labour costs from the building construction projects.

Gross profit and gross profit margin

Gross profit of the Group for the six months ended 30 June 2020 decreased by approximately MOP16.0 million to approximately MOP47.8 million (Previous Period: approximately MOP63.8 million), and the gross profit margin decreased to approximately 22.5% (Previous Period: approximately 24.0%). The decrease of the gross profit margin was mainly attributable to the decrease in gross profit margin from the building construction projects.

Other income

Other income mainly included interest income of approximately MOP0.2 million and MOP0.7 million for the six months ended 30 June 2020 and 2019 respectively.

General and administrative expenses

The Group's administrative expenses decreased to approximately MOP15.0 million for the six months ended 30 June 2020 from approximately MOP20.6 million for the six months ended 30 June 2019.

The decrease by approximately 26.9% was mainly attributable to the decrease in administrative staff cost.

Finance costs

The finance costs mainly represented interests on bank borrowings and overdrafts and other borrowings. Finance costs increased by approximately MOP1.5 million to approximately MOP5.1 million for the six months ended 30 June 2020 from approximately MOP3.7 million for the six months ended 30 June 2019. The increase was mainly due to an increase in our average outstanding bank loans and overdraft and other borrowings during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Income tax expenses

The Group's income tax expenses decreased to approximately MOP3.8 million for the six months ended 30 June 2020 when compared to approximately MOP6.5 million for the six months ended 30 June 2019. The decrease was in line with the decrease in profit before taxation for the period.

Profit for the Period

For the six months ended 30 June 2020, profit after taxation decreased to approximately MOP25.0 million from approximately MOP33.9 million for the six months ended 30 June 2019 mainly due to the combined effect of the aforementioned items.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

The Group's cash and cash equivalents balances as at 30 June 2020 amounted to approximately MOP55.9 million, representing an increase of approximately MOP44.9 million as compared to approximately MOP11.0 million as at 31 December 2019, which was attributable to the amount received from settlement of account receivables partially offset by the payments of direct costs for fitting-out and building construction projects.

As at 30 June 2020, the Group's indebtedness comprised bank loans and overdrafts and other borrowings of approximately MOP296.4 million (31 December 2019: approximately MOP220.3 million), of which certain of them were secured by pledged bank deposits.

Gearing Ratio

As at 30 June 2020, the gearing ratio (calculated by total debts divided by total equity; total debts include payables incurred not in the ordinary course of business) was 0.9, as compared with 0.8 as at 31 December 2019.

The increase was primarily attributable to the increase of bank loans and overdrafts and other borrowings as at 30 June 2020.

Treasury Policies

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

Foreign Currency Risk

The Group has certain bank balances denominated in Hong Kong Dollar other than the functional currency of respective group entities as at 30 June 2020. Since MOP is pegged to Hong Kong Dollar, the Group does not have significant exposure to foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Structure

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

Capital Commitments

As at 30 June 2020, the Group had no capital commitments (31 December 2019: Nil).

Contingent Liabilities

As at 30 June 2020, the Group had contingent liabilities of approximately MOP20.4 million (31 December 2019: approximately MOP40.6 million). The decrease was primarily due to the release of bank guarantees given to potential customers for an invitation to tender.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, bank deposits of approximately MOP69.7 million (31 December 2019: approximately MOP41.7 million) were pledged to secure the banking facilities (including bank loans and overdraft).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 76 employees as at 30 June 2020 (30 June 2019: 99). Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

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

EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2020.

PROSPECTS

First half of the financial year 2020 was a challenging half year to the Group, the revenue of the Group decreased when compared to the same period of last year. The decrease of the revenue from the fitting-outs works for Hotel and Casino in Macau and the decrease of revenue from the building construction works in Hong Kong were noted due to the delay of certain projects since the COVID-19 outbreak.

Despite of the above, some projects has resumed near the period end of the six months ended 30 June 2020. The management believed that based on the reasons mentioned above, and the hard work on costs control by the project teams of the ongoing projects, the Group will be back on the right track in the coming second half of the financial year 2020.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

The Shares of the Company were listed on the Stock Exchange on 16 January 2018.

As at 30 June 2020, the interests and short positions of Directors and/or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 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 Holdings Limited. SW Construction Holdings Limited is held as to 100% by Mr. Wan.

Associated corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares held/ interested in the associated corporation ⁽¹⁾	Approximate percentage of the total issued shares in the associated corporation
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 of the associated corporation.

OTHER INFORMATION (continued)

Save as disclosed in the foregoing, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, so far as is known to the Directors, the following persons or corporation (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

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 person's 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 30 June 2020, the Directors are not aware of any other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the Shares or underlying Shares of the Company or any of its associated companies which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

On 20 December 2017, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide the Company a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible participants and for such other purposes as the Board approves from time to time. From the adoption date of the Share Option Scheme up to 30 June 2020, no option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

OTHER INFORMATION (continued)**SIGNIFICANT INVESTMENTS HELD**

Except for investment in subsidiaries and an associate, during the six months ended 30 June 2020, the Group did not hold any significant investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2020, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2020.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Wan has tendered his resignation from the position as an executive Director, and hence ceased to act as a member of the remuneration committee of the Company with effect from 29 July 2020.

Mr. Ho Kwong Yu has been re-designated from the chief financial officer and company secretary of the Company to an executive Director and a member of the remuneration committee of the Company with effect from 29 July 2020, in place of Mr. Wan.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended 30 June 2020.

DIVIDEND

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

OTHER INFORMATION (continued)

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 20 December 2017 in accordance with Rule 3.21 of the Listing Rules with its terms of reference in compliance with paragraph C.3 of the CG Code. The Audit Committee comprises three members, namely Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun, all being independent non-executive Directors. Mr. Fan Chun Wah, Andrew serves as the chairman of the Audit Committee.

The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting of the Group and also a review of risk management and internal control systems of the Group, by satisfying themselves as to the effectiveness of the internal controls, and as to the adequacy of the external and internal audits.

The Audit Committee has reviewed with the management the interim results of the Group for the six months ended 30 June 2020, accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information. The Audit Committee is of the view that such interim results complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosure have been made.

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

Hong Kong, 27 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020
(Expressed in Macau Pataca)

	Notes	Six months ended 30 June	
		2020 MOP'000	2019 MOP'000
Revenue	2	213,088	266,155
Cost of sales		(165,245)	(202,342)
Gross profit		47,843	63,813
Other income and gains, net		754	765
General and administrative expenses		(15,027)	(20,554)
Profit from operations		33,570	44,024
Finance costs		(5,117)	(3,662)
Share of results of an associate		266	-
Profit before taxation	3	28,719	40,362
Income tax	4	(3,765)	(6,505)
Profit for the period		24,954	33,857
Attributable to:			
Equity shareholders of the Company		24,954	33,857
Non-controlling interests		-	-
Profit for the period		24,954	33,857
Earnings per share			
- Basic and diluted	5	MOP0.03	MOP0.05

The notes on pages 17 to 24 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020
(Expressed in Macau Pataca)

	Six months ended 30 June	
	2020 MOP'000	2019 MOP'000
Profit for the period	24,954	33,857
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of land held for own use upon change of use to investment property, net of \$Nil tax	-	26,265
	24,954	60,122
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of operations based outside Macau	17	3
Total comprehensive income for the period	24,971	60,125
Attributable to:		
Equity shareholders of the Company	24,971	60,125
Non-controlling interests	-	-
Total comprehensive income for the period	24,971	60,125

The notes on pages 17 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020
(Expressed in Macau Pataca)

	Notes	30 June 2020 MOP'000	31 December 2019 MOP'000
Non-current assets			
Property, plant and equipment		4,448	5,986
Investment properties	6	110,210	110,210
Investment in an associate		11,523	11,257
Investment in an insurance contract		2,573	2,573
		128,754	130,026
Current assets			
Contract assets		51,717	53,867
Trade and other receivables	7	515,579	498,777
Pledged deposits		69,702	41,672
Cash and cash equivalents (excluding bank overdrafts)		55,931	11,021
		692,929	605,337
Current liabilities			
Trade and other payables	8	45,865	62,389
Bank loans and overdrafts and other borrowings		296,357	220,285
Lease liabilities		1,210	2,309
Amount due to a director		2,828	2,828
Tax payable		40,818	37,574
		387,078	325,385
Net current assets		305,851	279,952
Total assets less current liabilities		434,605	409,978
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,692	2,691
Lease liabilities		3,028	3,373
		5,720	6,064
NET ASSETS		428,885	403,914
CAPITAL AND RESERVES			
Share capital		7,828	7,828
Reserves		421,008	396,037
Non-controlling interests		49	49
TOTAL EQUITY		428,885	403,914

The notes on pages 17 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020
(Expressed in Macau Pataca)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Other reserve	Exchange reserve	Retained profits			
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	
Balance at 1 January 2019	7,828	245,822	150	(28,324)	(18)	96,508	321,966	49	322,015
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	-	-	-	-	-	33,857	33,857	-	33,857
Other comprehensive income	-	-	-	26,265	3	-	26,268	-	26,268
Total comprehensive income	-	-	-	26,265	3	33,857	60,125	-	60,125
Balance at 30 June 2019 and 1 July 2019	7,828	245,822	150	(2,059)	(15)	130,365	382,091	49	382,140
Changes in equity for the six months ended 31 December 2019:									
Profit for the period	-	-	-	-	-	28,098	28,098	-	28,098
Other comprehensive income	-	-	-	(6,329)	5	-	(6,324)	-	(6,324)
Total comprehensive income	-	-	-	(6,329)	5	28,098	21,774	-	21,774
Balance at 31 December 2019	7,828	245,822	150	(8,388)	(10)	158,463	403,865	49	403,914

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)for the six months ended 30 June 2020
(Expressed in Macau Pataca)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Other reserve	Exchange reserve	Retained profits			
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Balance at 31 December 2019	7,828	245,822	150	(8,388)	(10)	158,463	403,865	49	403,914
Changes in equity for the six months ended 30 June 2020:									
Profit for the period	-	-	-	-	-	24,954	24,954	-	24,954
Other comprehensive income	-	-	-	-	17	-	17	-	17
Total comprehensive income	-	-	-	-	17	24,954	24,971	-	24,971
Balance at 30 June 2020	7,828	245,822	150	(8,388)	7	183,417	428,836	49	428,885

The notes on pages 17 to 24 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020
(Expressed in Macau Pataca)

	Six months ended 30 June	
	2020 MOP'000	2019 MOP'000
Operating activities		
Net cash used in operating activities	(57,879)	(134,225)
Investment activities		
Interest received	242	725
Net cash generated from investing activities	242	725
Financing activities		
Proceeds from new bank loans and other borrowings	221,339	172,809
Repayment of bank loans and other borrowings	(145,249)	(96,170)
Interest paid	(5,000)	(3,516)
Increase in pledged deposits	28,030	30,119
Payment for lease liabilities	(1,444)	(1,180)
Net cash generated from financing activities	97,676	102,062
Net increase/(decrease) in cash and cash equivalents	40,039	(31,438)
Cash and cash equivalents at the beginning of the year	(17,106)	16,678
Cash and cash equivalents at the end of the period	22,933	(14,760)
Cash and cash equivalents at the end of the period included:		
Cash at bank and on hand	55,931	15,225
Bank overdrafts	(32,998)	(29,985)
	22,933	(14,760)

The notes on pages 17 to 24 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Macau Pataca unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 27 August 2020.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The accounting policies, basis of presentation and methods of computation used in preparing the interim financial report are consistent with those followed in preparing the Groups’ annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new or amended HKFRSs and HKASs which are first effective or available for early adoption for accounting periods beginning on or after 1 January 2020 as set out below.

The following new or amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2020, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), Presentation of Financial Statements
- HKAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors
- HKAS 39 (Amendments), Financial Instruments: Recognition and Measurement
- HKFRS 3 (Revised) (Amendments), Business Combinations
- HKFRS 7 (Amendments), Financial Instruments: Disclosures
- HKFRS 9 (2014) (Amendments), Financial Instruments
- HKFRS 16 (Amendments), Leases
- Conceptual Framework for Financial Reporting 2018

The Group has not early adopted any other new or amended HKFRSs and HKASs that are not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Macau Pataca unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2020 MOP'000	2019 MOP'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Revenue from fitting-out works	179,060	171,989
– Revenue from building construction works	34,028	94,166
	213,088	266,155
Disaggregated by geographical location of customers		
– Macau (place of domicile)	114,593	172,989
– Hong Kong	98,495	93,166
	213,088	266,155

Fitting-out works and building construction works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works and building construction works varies from 2 to 24 months (2019: from 2 to 30 months).

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 30 June 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is MOP348,652,000 (2019: MOP324,609,000). This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. Based on the information available to the Group at the end of the reporting period, the Group will recognise such amount when or as the work is completed which is expected to occur over the next 1 to 19 months (2019: 1 to 25 months).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)*(Expressed in Macau Pataca unless otherwise indicated)***2 REVENUE AND SEGMENT REPORTING (Continued)****(c) 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 chief operating decision makers ("CODM") 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 the execution of fitting-out works, including 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, including procurement of materials, site supervision, management of subcontractors and overall project management.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable assets and liabilities have not been presented in the consolidated financial statements.

(d) Segment results

The Group's CODM 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Macau Pataca unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (Continued)

(e) Information about profit or loss

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

For the six months ended 30 June	Fitting-out works - Macau		Building construction works - Macau		Fitting-out works - Hong Kong		Building construction works - Hong Kong		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Reportable segment revenue	80,365	171,989	34,028	1,000	98,495	-	-	93,166	213,088	266,155
Reportable segment profit	22,530	33,464	7,423	276	17,890	-	-	30,073	47,843	63,813

The measure used for reportable segment profit is gross profit.

(f) Reconciliations of reportable segment profit

	Six months ended 30 June	
	2020 MOP'000	2019 MOP'000
Reportable segment profit	47,843	63,813
Other income and gains, net	754	765
Finance costs	(5,117)	(3,662)
Unallocated head office and corporate expenses	(15,027)	(20,554)
Share of results of an associate	266	-
Consolidated profit before taxation	28,719	40,362

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Macau Pataca unless otherwise indicated)

3 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020 MOP'000	2019 MOP'000
(a) Finance costs		
Interest on bank loans and overdrafts and other borrowings	5,000	3,516
Interest on lease liabilities	117	146
(b) Other items		
Depreciation charge		
– owned property, plant and equipment	78	81
– right-of-use assets	864	1,213
Interest income	(242)	(725)

4 INCOME TAX

	Six months ended 30 June	
	2020 MOP'000	2019 MOP'000
Current tax – Macau Complementary Tax	1,174	4,562
Current tax – Hong Kong Profits Tax	2,590	1,943
Deferred tax – Original and reversal of temporary differences	1	–
	3,765	6,505

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.

Macau Complementary Tax is calculated at 12% (2019: 12%) of the estimated assessable profits exceeding MOP600,000 (2019: MOP600,000) for the six months ended 30 June 2020.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018–2019. Accordingly, the provision for Hong Kong Profits Tax for the six months ended 30 June 2020 is calculated in accordance with the two-tiered profits tax regime.

Corporate Income Tax in the People’s Republic of China (“the **PRC**”) for the six months ended 30 June 2020 is calculated at 25% (2019: 25%). No corporate income tax has been provided because the entity in the PRC has no assessable profits for the six months ended 30 June 2019 and 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Macau Pataca unless otherwise indicated)

5 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of MOP24,954,000 (six months ended 30 June 2019: MOP33,857,000) and the weighted average of 760,000,000 ordinary shares (2019: 760,000,000 shares).

(b) Diluted earnings per share

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

6 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Change of use of owned held land to investment properties

During the six months ended 30 June 2019, due to the change of use, all of the Group's land and buildings held for own use was transferred to investment property. Upon the date of transfer, the fair value was determined by directors with reference to the professional valuations using residual method and are categorised as Level 3 fair value measurement as defined in HKFRS 13, Fair value measurement. As a result, revaluation surplus of MOP26,265,000 was recognised in other comprehensive income.

7 TRADE AND OTHER RECEIVABLES

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

	30 June 2020 MOP'000	31 December 2019 MOP'000
Within 1 month	34,642	11,432
1 to 3 months	32,214	64,081
3 to 6 months	134,487	80,897
6 to 12 months	70,685	158,851
Over 1 year but less than 2 years	78,213	72,350
Over 2 years but less than 3 years	-	1,137
Trade debtors, net of loss allowance	350,241	388,748
Deposits, prepayments and other receivables	165,338	110,029
	515,579	498,777

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Macau Pataca unless otherwise indicated)

7 TRADE AND OTHER RECEIVABLES (Continued)

The balance represents amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 45 days from the date of invoice and therefore are all classified as current. The group assessed the expected credit loss of trade receivables based on the historical default credit experiences and forward-looking information that is available.

As at 30 June 2020, amount due from a related party of MOP nil (2019: MOP nil), which is trade-related, unsecured, interest-free and due within 45 days from the date of invoice.

8 TRADE AND OTHER PAYABLES

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

	30 June 2020 MOP'000	31 December 2019 MOP'000
Within 1 month	3,214	3,615
1 to 3 months	3,327	303
3 to 6 months	5,824	411
Over 6 months	15,148	24,334
Trade payables	27,513	28,663
Retention payables	14,985	15,483
Other payables and accruals	3,367	18,243
	45,865	62,389

9 DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2020. No dividend was declared or paid by the Company during the six months ended 30 June 2019 to its equity shareholders.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)*(Expressed in Macau Pataca unless otherwise indicated)***10 CONTINGENT LIABILITIES**

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

	30 June 2020 MOP'000	31 December 2019 MOP'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	15,444	16,086
Bank guarantees given to potential customers for an invitation to tender	5,000	24,475
	20,444	40,561

11 REVIEW OF INTERIM FINANCIAL REPORT

The unaudited interim financial report for the six months ended 30 June 2020 has been reviewed by the Audit Committee with no disagreement.