
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Space Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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SPACE GROUP HOLDINGS LIMITED

恒宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2448)

(1) PROPOSED CHANGE OF AUDITORS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of Space Group Holdings Limited to be held at Room F, 11/F, Chong Fok Commercial CTR, Avendia De Marciano Baptista, No. 26-28, Macau on 11 February 2020 at 3 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.spacegroup.com.mo.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

24 January 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Appointment”	the proposed appointment of PwC as the new auditors of the Company, subject to the approval of the Shareholders at the EGM
“Articles of Association”	the articles of association of the Company as may be amended from time to time, and “Article” shall mean an article of the Articles of Association
“Board”	the board of Directors
“Company”	Space Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 11 February 2020 at 3 p.m.
“PwC”	PricewaterhouseCoopers, the proposed new auditors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“KPMG”	KPMG, the existing auditors of the Company
“Latest Practicable Date”	23 January 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Change of Auditors”	collectively, the Removal and the Appointment
“Removal”	the proposed removal of KPMG as the auditors of the Company, subject to the approval of the Shareholders at the EGM

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



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)

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

Registered office:

Conyers Trust Company (Cayman)
Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Room 2612-13 One Midtown

No. 11 Hoi Shing Road

Tsuen Wan

Hong Kong

24 January 2020

To the Shareholders

Dear Sir or Madam

(1) PROPOSED CHANGE OF AUDITORS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 22 January 2020 in relation to the Proposed Change of Auditors.

At the EGM to be held at Room F, 11/F, Chong Fok Commercial CTR, Avandia De Marciano Baptista, No. 26-28, Macau on 11 February 2020 at 3 p.m., resolutions will be proposed, among other matters:

- (a) to remove KPMG as the auditors of the Company; and
- (b) to appoint PwC as the auditors of the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further details of the Proposed Change of Auditors and to give you the notice of the EGM.

PROPOSED CHANGE OF AUDITORS

Proposed Removal

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

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

Before the Board resolved to remove KPMG subject to Shareholders' approval, the Company has offered an opportunity to KPMG to speak with the members of the audit committee of the Company. KPMG verbally confirmed that there were no professional issues that they may need to bring to the attention of the Board of the Directors of the Company. A letter received from KPMG to claim that other than they have yet to receive settlement of the remaining fee for the audit of the Company's financial statements for the year ended 31 December 2018, there are no other matters in respect of the circumstances leading to their cessation as the Company's auditor in their opinion need to be reported to the Audit Committee and Board of Directors.

On 23 January 2020, a letter received from KPMG that there are no matters in respect of other circumstances leading to their cessation as the auditors of the Company other than the service fee proposed by KPMG, which the Company cannot agree with.

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

The Board is of the view that the proposed Removal would enable the Company to carry out effective cost control and reduce overall operating expenses of the Company to better cope with the future business development of the Group and is in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Proposed Appointment

After the consideration of the proposed audit remuneration for the financial year ended 31 December 2019 by PwC the audit committee of the Company has assessed and considered that PwC is a sizeable and experienced accounting firm and is eligible and suitable to act as auditors of the Group. Therefore, the Board, with the recommendation of the audit committee of the Company, proposed to appoint PwC as the new auditors of the Group in place of KPMG to fill the vacancy arising from the proposed Removal and hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the Removal and the Appointment by Shareholders at the EGM.

IMPLICATIONS OF THE LISTING RULES

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

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

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

EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Room F, 11/F, Chong Fok Commercial CTR, Avandia De Marciano Baptista, No. 26-28, Macau on 11 February 2020 at 3 p.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published at the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.spacegroup.com.mo. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or adjournment thereof in person if you so wish.

LETTER FROM THE BOARD

All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Directors, including the independent non-executive Directors, considered that each of the Removal and the Appointment is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of all the resolutions at the EGM.

GENERAL

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolution to be proposed at the EGM.

Your attention is also drawn to the notice convening the EGM.

The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

Yours faithfully
For and on behalf of
the board of Directors of
Space Group Holdings Limited
Che Chan U
Chairman

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Space Group Holdings Limited (the “**Company**”) will be held at Room F, 11/F, Chong Fok Commercial CTR, Avandia De Marciano Baptista, No. 26-28, Macau on 11 February 2020 at 3 p.m. to consider, and if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. “**THAT** KPMG be and is hereby removed as the auditors of the Company and any of its subsidiaries pursuant to Article 152(2) of the articles of association of the Company with immediate effect.”

ORDINARY RESOLUTION

2. “**THAT** conditional upon the passing of the special resolution no. 1 above, PwC be and is hereby appointed as the auditors of the Company and its subsidiaries pursuant to Article 152(2) of the articles of association of the Company with immediate effect and to hold office until the conclusion of the forthcoming annual general meeting of the Company, and the board (the “**Board**”) of directors (the “**Directors**”) of the Company be and is hereby authorised to fix their remuneration.”

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

Hong Kong, 24 January 2020

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

*Head office and principal place of
business in Hong Kong:*
2612-13 One Midtown
11 Hoi Shing Road
Tsuen Wan
Hong Kong

NOTICE OF EGM

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. For the purpose of ascertaining shareholders' entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from 4 February 2020 to 11 February 2020 (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 February 2020.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the extraordinary general meeting and in such event, the relevant form of proxy shall be deemed to be revoked.
5. In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the articles of association of the Company, all resolutions set out in this notice of the extraordinary general meeting will be voted on by way of poll.

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