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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2448)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Revenue of fitting-out works decreased to approximately MOP250.3 million, representing a decrease of approximately 42.4%
- Revenue of financial services decreased to approximately MOP22.9 million, representing a decrease of approximately by 45.8%
- Loss attributable to owners of the Company was approximately MOP126.3 million
- Basic losses per share for the year was approximately MOP13 cents
- The Board does not recommend the payment of final dividend for the year ended 31 December 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Space Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in Macau Pataca)

		2023	2022
	<i>Notes</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue	3	273,192	477,128
Cost of revenue		<u>(214,166)</u>	<u>(358,787)</u>
Gross profit		59,026	118,341
Other income and gains, net	4	903	1,889
Fair value loss on investment properties		(4,532)	(10,917)
Impairment losses of financial assets and contract assets		(107,682)	(16,471)
Impairment of goodwill		(8,642)	–
Administrative and other expenses		<u>(38,688)</u>	<u>(50,546)</u>
(Loss)/profit from operations		(99,615)	42,296
Finance costs	6	<u>(27,376)</u>	<u>(18,538)</u>
(Loss)/profit before taxation	5	(126,991)	23,758
Income tax	7	<u>64</u>	<u>(3,270)</u>
(Loss)/profit for the year		<u>(126,927)</u>	<u>20,488</u>
Attributable to:			
Owners of the Company		(126,257)	21,485
Non-controlling interests		<u>(670)</u>	<u>(997)</u>
(Loss)/profit for the year		<u>(126,927)</u>	<u>20,488</u>
(Losses)/earnings per share			
– Basic and diluted	8	<u>MOP(0.13)</u>	<u>MOP0.03</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Macau Pataca)

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
(Loss)/profit for the year	(126,927)	20,488
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	<u>225</u>	<u>627</u>
Other comprehensive income for the year, net of income tax	<u>225</u>	<u>627</u>
Total comprehensive (expense)/income for the year	<u>(126,702)</u>	<u>21,115</u>
Attributable to:		
Owners of the Company	(126,047)	22,112
Non-controlling interests	<u>(655)</u>	<u>(997)</u>
Total comprehensive (expense)/income for the year	<u>(126,702)</u>	<u>21,115</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in Macau Pataca)

		31 December 2023	31 December 2022
	<i>Notes</i>	<i>MOP'000</i>	<i>MOP'000</i>
Non-current assets			
Property, plant and equipment		11,605	21,929
Investment properties		94,760	99,292
Investment in an insurance contract		–	2,823
Other non-current asset		812	812
Intangible asset		1,803	1,803
Goodwill		12,039	20,681
Deferred tax assets		3,374	3,374
		124,393	150,714
Current assets			
Contract assets		106,173	100,602
Trade and other receivables	9	614,176	578,159
Prepayments		257,563	246,398
Financial assets at fair value through profit or loss		40	33
Pledged deposits		5,818	126,100
Cash and bank balances		20,255	54,898
		1,004,025	1,106,190
Current liabilities			
Trade and other payables	10	151,641	79,496
Bank loans and overdrafts		301,787	445,091
Lease liabilities		3,356	7,014
Amount due to a director		6,957	37,060
Bond payable		35,020	–
Tax payable		48,028	47,775
		546,789	616,436
Net current assets		457,236	489,754
Total assets less current liabilities		581,629	640,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2023**(Expressed in Macau Pataca)*

	31 December 2023 MOP'000	31 December 2022 MOP'000
Non-current liabilities		
Lease liabilities	3,406	6,790
Bank loans and overdrafts	1,819	2,994
Deferred tax liabilities	1,051	1,745
	<u>6,276</u>	<u>11,529</u>
NET ASSETS	<u>575,353</u>	<u>628,939</u>
CAPITAL AND RESERVES		
Share capital	11,955	8,302
Reserves	564,166	620,735
Equity attributable to owners of the Company	576,121	629,037
Non-controlling interests	(768)	(98)
TOTAL EQUITY	<u>575,353</u>	<u>628,939</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Macau Pataca unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Space Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in fitting-out 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. The address of its registered office is Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Suite 1905–07, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Its parent and ultimate parent is Space Investment (BVI) Limited, incorporated in the British Virgin Islands. Its ultimate controlling parties are Mr. Che Chan U, Ms. Lei Soi Kun and Mr. Cheng Chi Heng.

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited on 16 January 2018.

These consolidated financial statements are presented in Macau Pataca (“**MOP**”), unless otherwise stated.

Going concern basis

As at 31 December 2023, the Group had accumulated profits of approximately MOP144,909,000 (2022: MOP271,169,000), the Group’s total borrowings amounted to approximately MOP303,606,000 (2022: MOP448,085,000) while its cash and cash equivalents amounted to approximately MOP20,255,000 (2022: MOP54,898,000) and pledged bank deposits amounted to approximately MOP5,818,000 (2022: MOP126,100,000). As at 31 December 2023, the Group has overdue trade receivables amounted to MOP407,607,000. The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- (i) The Group is negotiating with several financial institutions and seeking for renewal of the existing bank facilities to finance the Group’s working capital and commitments in the foreseeable future;
- (ii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization and capital expenditure control. This measure may reduce the cash outflows of the Group;
- (iii) The Group will exercise strict control on the credit policy for customers to minimize future potential impairment on receivables; and
- (iv) The Group proposed subject to raise gross proceeds of up to approximately HK\$157,847,040 (before expenses) by issuing up to 232,128,000 consolidated shares by way of rights issue at the subscription price of HK\$0.034 per rights share (or HK\$0.68 per consolidated share after the share consolidation becoming effective) on the basis of four (4) rights share for every one (1) consolidated shares held on the record date (the “**Rights Issue**”), details of the Rights Issue are set out in the Group’s announcement dated 3 January 2024. The Rights Issue is expected to complete in June 2024. The Board currently intends to apply the net proceeds from the Rights Issue primarily for repayment of bank loans and overdrafts, and for general working capital of the Group.

The directors of the Company have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of twelve months from the date of this announcement. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group failed to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

In the current year, the Group has applied, for its first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies
HKAS 8 (Amendments)	Amendments to HKAS 8 – Definition of Accounting Estimates
HKAS 12 (Amendments)	Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
HKFRS 17 (Amendments)	Amendments to HKFRS 17 – Insurance Contracts

The application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

		Effective for accounting period beginning on or after
HKAS 1 (Amendments)	Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Revised Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
HKAS 28 and HKFRS 10 (Amendments)	Amendments to HKAS 28 and HKFRS 10 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are the carrying out of fitting-out works and provision of financial services.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 by business lines is as follows:

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2023			
Revenue from contract with customers within the scope of HKFRS 15			
Revenue from fitting-out works contracts	250,294	–	250,294
Fees and commission income from licensed activities	–	22,827	22,827
	<u>250,294</u>	<u>22,827</u>	<u>273,121</u>
Revenue from other source			
Interest income from margin financing	–	71	71
	<u>–</u>	<u>71</u>	<u>71</u>
Total	<u><u>250,294</u></u>	<u><u>22,898</u></u>	<u><u>273,192</u></u>
	<i>Fitting-out works MOP'000</i>	<i>Financial services MOP'000</i>	<i>Total MOP'000</i>
For the year ended 31 December 2022			
Revenue from contract with customers within the scope of HKFRS 15			
Revenue from fitting-out works contracts	434,911	–	434,911
Fees and commission income from licensed activities	–	20,110	20,110
Fees from business consultancy services	–	21,939	21,939
	<u>434,911</u>	<u>42,049</u>	<u>476,960</u>
Revenue from other source			
Interest income from margin financing	–	168	168
	<u>–</u>	<u>168</u>	<u>168</u>
Total	<u><u>434,911</u></u>	<u><u>42,217</u></u>	<u><u>477,128</u></u>

Disaggregation of revenue by timing of recognition:

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2023			
At a point in time	–	18,060	18,060
Over time	250,294	4,767	255,061
	250,294	22,827	273,121
	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2022			
At a point in time	–	29,175	29,175
Over time	434,911	12,874	447,785
	434,911	42,049	476,960

Fitting-out works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works varies from 1 to 24 months (2022: from 1 to 24 months).

(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 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.
- Financial services: this segment is involved in the provision of securities brokerage services, underwriting services, margin financing and money lending and securities and asset management advisory services ("licensed activities") and business consultancy services to the clients.

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.

(i) **Segment results**

Information regarding the performance of the Group's reportable segments for the years ended 31 December 2023 and 2022 is set out below.

Year ended 31 December 2023

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
Segment revenue from external customers	250,294	22,898	273,192
Segment profit	<u>41,198</u>	<u>17,828</u>	<u>59,026</u>

Year ended 31 December 2022

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
Segment revenue from external customers	434,911	42,217	477,128
Segment profit	<u>87,256</u>	<u>31,085</u>	<u>118,341</u>

(ii) **Reconciliations of total segment profit to profit before taxation**

	2023 MOP'000	2022 MOP'000
Total segment profit	59,026	118,341
Other income and gains, net	903	1,889
Finance costs	(27,376)	(18,538)
Unallocated head office and corporate expenses	<u>(159,544)</u>	<u>(77,934)</u>
Profit before taxation	<u>(126,991)</u>	<u>23,758</u>

(iii) **Geographical information**

The following table sets out the information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill, and investment properties ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of specified non-current assets is based on the location of the operation to which they are allocated.

	Revenues from external customers		Specified non-current assets	
	2023 MOP'000	2022 MOP'000	2023 MOP'000	2022 MOP'000
Macau (place of domicile)	<u>121,091</u>	<u>199,495</u>	<u>95,849</u>	<u>99,369</u>
Hong Kong	<u>152,101</u>	<u>277,633</u>	<u>15,668</u>	<u>32,028</u>
Mainland China	<u>–</u>	<u>–</u>	<u>8,690</u>	<u>12,308</u>
	<u>152,101</u>	<u>277,633</u>	<u>24,358</u>	<u>44,336</u>
	<u>273,192</u>	<u>477,128</u>	<u>120,207</u>	<u>143,705</u>

(iv) **Information about major customers**

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

	2023 MOP'000	2022 MOP'000
Customer A (note (i))	121,091	175,930
Customer B (note (ii))	32,747	156,971
Customer C (note (iii))	96,456	59,740
Customer D (note (ii))	–	40,644

Notes:

- (i) This transaction is attributable to segment of fitting-out works in Macau.
- (ii) This transaction is attributable to segment of fitting-out works in Hong Kong.
- (iii) This transaction is attributable to segment of fitting-out works in both Hong Kong and Macau.

4 OTHER INCOME AND GAINS, NET

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Interest income	1,066	446
Government subsidies (<i>note (i)</i>)	–	1,458
Others	<u>(154)</u>	<u>(49)</u>
Total other income	----- 912	----- 1,855
Net increase in cash surrender value of an investment in an insurance contract	59	79
Net exchange losses	(75)	(48)
Fair value change on investment	<u>7</u>	<u>3</u>
Total other (losses)/gains	----- (9)	----- 34
Total other income and gains, net	<u>903</u>	<u>1,889</u>

Note:

- (i) Both the Macau government and the Hong Kong government have launched the Employment Support Scheme under the Anti-epidemic Fund to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. During the year ended 31 December 2022, the Company received government subsidies of a total of MOP1,458,000. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

5 (LOSS)/PROFIT BEFORE TAXATION

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

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
(a) Staff costs (including director's emoluments)		
Contributions to defined contribution retirement plans	722	550
Salaries, wages and other benefits	<u>25,737</u>	<u>28,492</u>
	----- 26,459	----- 29,042
Less: Staff costs included in cost of revenue	<u>(6,512)</u>	<u>(10,449)</u>
Staff costs included in administrative and other expenses	<u>19,947</u>	<u>18,593</u>
(b) Other items		
Cost of construction, excluding staff costs	205,494	347,635
Depreciation	10,282	12,111
Auditors' remuneration	1,530	1,442
Impairment losses of trade and other receivables and contracts assets	107,682	16,471
Loss on disposal of property, plant and equipment	64	505
Loss on early termination of leases	<u>–</u>	<u>163</u>

6 FINANCE COSTS

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Interests on:		
– Bank loans and overdrafts	26,913	17,635
– Lease liabilities	463	903
	<u>27,376</u>	<u>18,538</u>

7 INCOME TAX

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Current tax – Macau Complementary Tax		
Provision for the year	542	6,209
Current tax – Hong Kong Profits Tax		
Provision for the year	88	203
Deferred tax		
Origination and reversal of temporary differences	(694)	(3,142)
	<u>(64)</u>	<u>3,270</u>

8 (LOSSES)/EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic (losses)/earnings per share attributable to owners of the Company was based on the following data:

Earnings

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
(Loss)/profit for the year attributable to owners of the Company	<u>(126,257)</u>	<u>21,485</u>

Weighted average number of ordinary shares

	2023 '000	2022 '000
Weighted average number of ordinary shares as at 31 December	<u>968,083</u>	<u>806,000</u>

(b) Diluted earnings per share

The diluted (losses)/earnings per share is the same as the basic (losses)/earnings per share as the Group did not have potential dilutive ordinary shares for both years.

9 TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Trade receivables			
– Third parties	(i)	743,768	571,587
– A related party	(ii)	–	–
Less: loss allowance		(135,633)	(25,073)
Trade receivables, net		608,135	546,514
Deposits		1,422	1,770
Other receivables, net		4,619	29,875
		614,176	578,159

Notes:

- (i) As at 31 December 2023, included in the trade receivables is an amount of approximately MOP21,249,000 (2022: MOP2,108,000) in respect of gross amount of receivables from the clearing house and finance services client. The amounts are arising from the ordinary course of business of securities dealing and brokerage services and the settlement terms are two days after the trade date.
- (ii) The related party is a company owned by Mr. Che Chan U, the director of the Group. The amount was trade-related, unsecured, interest-free, and due within 45 days from the date of invoices. The amount was fully settled during the year ended 31 December 2022.

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables based on the invoice date were as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Within 1 month	110,838	20,040
1 to 3 months	13,889	72,026
3 to 6 months	57,385	136,904
6 to 12 months	154,049	173,791
Over 1 year but less than 2 years	349,507	155,902
Over 2 years but less than 3 years	58,100	12,924
	743,768	571,587

10 TRADE AND OTHER PAYABLES

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Trade payables	127,617	39,138
Retention payables	13,978	9,606
Other payables and accruals	10,046	30,752
	<u>151,641</u>	<u>79,496</u>

As at 31 December 2023, included in trade payable are an amount of MOP86,332,000 (2022: MOP11,139,000) relating to trade payables to finance services client and an amount of MOPNil (2022: MOP862,000) relating to trade payables to clearing house. The settlement terms of trade payable attribute to dealing in securities are two days after trade date. No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of this business.

The ageing analysis of trade payables from fitting-out works based on the invoice date were as follows:

	2023 <i>MOP'000</i>	2022 <i>MOP'000</i>
Within 1 month	108,606	2,095
1 to 3 months	150	5,312
3 to 6 months	391	1,370
Over 6 months	18,470	18,360
	<u>127,617</u>	<u>27,137</u>

11 DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the Company encountered a wide range of challenges. Externally, the economic environment presented the Company with uncertainties and difficulties, including a global economic slowdown, financial market volatility, intense market competition, and increased cost pressures. Internally, the Company has also been grappling with financial pressures, which greatly impacted our business operations. Nevertheless, we will approach these difficulties with unwavering positivity and steadfast confidence to seek effective solutions.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group's revenue was approximately MOP273.2 million (2022: approximately MOP477.1 million). For the year ended 31 December 2023, the Group recorded loss for the year of approximately MOP126.9 million (2022: profit approximately MOP20.5 million). During the year ended 31 December 2023, the Group completed 4 fitting-out projects, and was awarded 1 fitting-out projects.

Revenue

For the year ended 31 December 2023, revenue of the Group amounted to approximately MOP273.2 million, representing a decrease of approximately 42.7% from approximately MOP477.1 million in 2022.

The decrease of the Group's revenue was mainly attributable to the decrease in the revenue derived from fitting-out works and financial services.

The revenue from fitting-out works decreased from approximately MOP434.9 million for the year ended 31 December 2022 to approximately MOP250.3 million for the year ended 31 December 2023. Such decrease was mainly attributable to decrease in contract sum of construction contracts being awarded.

The revenue from financial services amounted to approximately MOP22.9 million for the year ended 31 December 2023 (2022: approximately: MOP42.2 million). As at 31 December 2023, the client assets (including cash and stocks) of the licensed institutions were approximately MOP304.2 million (2022: approximately MOP1,519.3 million).

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 50.1% to approximately MOP59.0 million for the year ended 31 December 2023 from approximately MOP118.3 million for the year ended 31 December 2022, while the Group's gross profit margin was approximately 21.6% for the year ended 31 December 2023 as compared to a gross profit margin of 24.8% for the year ended 31 December 2022. The decrease in gross profit margin was mainly due to the decrease in gross profit margin from fitting-out works and financial services.

Other Income and Gains, net

We had other income and gains, net of approximately MOP0.9 million and MOP1.9 million in 2023 and 2022 respectively. The decrease in other income and gains, net for the year ended 31 December 2023 was mainly due to the decrease of government subsidies of approximately MOP1.5 million for the year ended 31 December 2023.

Administrative and Other Expenses

The Group's administrative expenses and other expenses decreased to approximately MOP38.7 million for the year ended 31 December 2023 from approximately MOP50.5 million in 2022, representing a decrease by approximately 23.5%. The decrease in administrative expenses and other expenses was mainly due to the decrease in depreciation and advertisement expenses for the year ended 31 December 2023.

Finance Costs

The Group's finance costs increased to approximately MOP27.4 million for the year ended 31 December 2023 from approximately MOP18.5 million in 2022. The increase of approximately 47.7% was mainly due to the increase in interest rate for the year ended 31 December 2023.

Income Tax

The Group's income tax credit for the year was approximately MOP64,000 which was mainly due to the tax credit arising from the fair value loss on investment properties.

Loss for the Year

Loss for the year was approximately MOP126.9 million for the year ended 31 December 2023, which was mainly attributable to the combined effects of the aforementioned items.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2023, the Group had an aggregate of pledged deposits, bank deposit, and cash and bank balances of approximately MOP26.1 million (2022: approximately MOP181.0 million), representing a decrease of approximately 85.6% as compared to that as at 31 December 2022. As at 31 December 2023, bank deposits of approximately MOP5.8 million (2022: approximately MOP126.1 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 2023, the Group had bank loans and overdraft and other borrowings of approximately MOP303.6 million (2022: approximately MOP448.1 million) which are repayable within one year or on demand.

As at 31 December 2023, bank loans and overdraft and other borrowings of approximately MOP303.6 million (2022: approximately MOP448.1 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 and investment in an insurance contract.

As at 31 December 2023, the assets pledged to secure certain banking facilities granted to the Group amounted to approximately MOP100.6 million (2022: approximately MOP227.0 million).

Gearing Ratio

As at 31 December 2023, the gearing ratio (calculated by total debts divided by total equity; total debts include bank loans and overdrafts and other borrowings) decreased to approximately 0.528 (2022: approximately 0.712), which was mainly due to the decrease of bank loans and overdrafts and other borrowings.

Treasury Policies

The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Group is holding sufficient credit limit to support its operating activities and business development plan. 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 substantial Group's transactions are denominated in Macau Pataca and Hong Kong dollar, which is pegged to Macau Pataca.

Capital Structure

Authorised share capital

As at 31 December 2023, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 shares (the “**Shares**”) of HK\$0.01 each.

Issued share capital

As at 31 December 2023, the number of Shares in issue was 1,160,640,000 Shares of HK\$0.01 each (31 December 2022: 806,000,000 Shares).

On 21 June 2023, the Company had completed the placing of 161,200,000 new Shares (the “**Placing**”) at the placing price of HK\$0.20 per share pursuant to a placing agreement entered into between the Company and Space Securities Limited (as placing agent) dated 5 June 2023. The net proceeds from the issue of new Shares under the Placing were approximately HK\$31.9 million, which were intended to be used for potential new projects and as general working capital of the Company. For further details of the Placing, please refer to the Company's announcements dated 5 June 2023, 9 June 2023 and 21 June 2023, respectively.

On 8 August 2023, the Company had completed the subscriptions of 193,440,000 new Shares (the “**Subscriptions**”) at the subscription price of HK\$0.202 per share pursuant to a subscription agreements entered into between the Company and six subscribers. The net proceeds from the issue of new Shares under the said Subscription were approximately HK\$38.7 million, which were intended to be used for prepayment to subcontractors and as general working capital of the Company. For further details of the Subscription, please refer to the Company's announcements dated 26 July 2023 and 8 August 2023, respectively.

Save as disclosed in this announcement, there was no change to the issued share capital of the Company during the year ended 31 December 2023.

Capital Commitments

As at 31 December 2023, the Group had no capital commitments (2022: Nil).

Contingent Liabilities

As at 31 December 2023, the Group had contingent liabilities of approximately MOP13.0 million (2022: approximately MOP13.0 million). There is no change during the year of 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 78 employees (as at 31 December 2022: 78). Total staff costs (including Directors' emoluments) were approximately MOP26.5 million for the year ended 31 December 2023, as compared with approximately MOP29.0 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in bonus paid to employees during the year ended 31 December 2023.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience. The remuneration package generally includes 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

On 20 December 2017, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Shareholders of the Company (the "**Shareholders**"), under which, options may be granted to any Eligible Participants (as defined in the Share Option Scheme) 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, eligible employees and other eligible participants.

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange of Hong Kong Limited's (the "**Stock Exchange**") 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 will be valid and effective for a period of 10 years commencing on 20 December 2017 and remains in force until 19 December 2028. Since the adoption of the Share Option Scheme and up to the date of this announcement, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

Proposed Increase in Authorised Share Capital, Share Consolidation and Rights Issue

On 1 March 2024, the Company announced (i) the proposed increase in authorised share capital from the existing authorised share capital of the Company of HK\$20,000,000.00 divided into 2,000,000,000 Existing Shares with a par value of HK\$0.01 each to HK\$100,000,000.00 divided into 10,000,000,000 Existing Shares with a par value of HK\$0.01 each (the “**Increase in Authorised Share Capital**”); (ii) the share consolidation of every twenty (20) issued and unissued Existing Shares of par value HK\$0.01 each into one (1) consolidated share (“**Consolidated Share**”) of par value of HK\$0.20 each (the “**Share Consolidation**”); and (iii) the proposed rights issue on the basis of four (4) rights share for every one (1) Consolidated Share on a non-underwritten basis (the “**Rights Issue**”). The Increase in Authorised Share Capital, Share Consolidation and Rights Issue are subject to shareholders’ approval at an extraordinary general meeting of the Company. For further details on the Increase in Authorised Share Capital, Share Consolidation and Rights Issue, please refer to the announcements of the Company dated 1 March 2024 and 25 March 2024.

Disposal of interest in subsidiary

On 22 March 2024, Space Construction (BVI) Limited (a wholly-owned subsidiary of the Company), Leong Lap Kun and Lei Heng Lit entered into a disposal agreement for the disposal of Space Construction (BVI) Limited’s 61.39% interest in its subsidiary, Space Financial Holdings Limited. The total consideration for disposal is HK\$4,600,000 (approximately MOP4,738,000). Upon completion of the disposal, the Group’s indirect shareholding in Space Financial Holdings Limited will be reduced from 93.02% to 31.63%, and Space Financial Holdings Limited become an associate of the Group. For further details of the disposal, please refer to the announcement of the Company dated 22 March 2024.

DIVIDEND AND DIVIDEND POLICY

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2023.

The Company has adopted a dividend policy (the “**Dividend Policy**”). In deciding whether to propose any dividend, the Board will consider, among others, the Group’s actual and expected financial performance, retained earnings and distributable reserves of the Group and each of the members of the Group, the level of the Group’s debts to equity ratio, return on equity and the relevant financial covenants, the Group’s capacity from current and future operation, future commitments at the time of preparing and making the distribution, any restrictions on payment of dividends that may be imposed by the Group’s lenders, any restrictions under the laws of Hong Kong and Cayman Islands and the Company’s Articles of Association, and any other factors that the Board deems appropriate.

The declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Company's Articles of Association and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

PROSPECTS AND STRATEGIES

The Company maintains unwavering confidence in future operations, firmly believing in the potential improvement of the economic environment with the support of policies from the governments of Hong Kong and Macau. Moreover, the governments are also expected to launch more large-scale infrastructure projects, and the Company will seize opportunities to enhance its profitability.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 21 June 2024 (Friday) (“**2023 AGM**”) and the notice of 2023 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the 2023 AGM of the Company to be held on 21 June 2024 (Friday), the register of members of the Company will be closed from 18 June 2024 (Tuesday) to 21 June 2024 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2023 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, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on 17 June 2024 (Monday).

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintaining 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 C1 of the Listing Rules since 1 January 2023 and up to 31 December 2023 (the “**Relevant Period**”).

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2023 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the Relevant Period and up to the date of this announcement.

AUDIT COMMITTEE

The 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. Li Guohui, Mr. Eulógio dos Remédios, José António and Mr. Choi King Leung (all are independent non-executive Directors). Mr. Li Guohui 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 2023 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.

The annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee before submission to the Board for approval.

SCOPE OF WORK OF GLOBAL LINK

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by Global Link, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2023. The work performed by Global Link in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Global Link on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Space Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in the consolidated financial statements, the Group had a net loss of approximately MOP126,927,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's total borrowings amounted to approximately MOP303,606,000, of which current borrowings amounted to approximately MOP301,787,000, while its cash and cash equivalents amounted to approximately MOP20,255,000 and pledged bank deposits amounted to approximately MOP5,818,000. As at the date of this report, the Group defaulted on payment of certain bank borrowings, which also triggered cross-default of other bank borrowings, such that they will become due for immediate repayment. These conditions, together with other matters described in the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity pressure and the financial position of the Group which are set out in the consolidated financial statements. The consolidated financial statements had been prepared by the directors of the Company on a going concern basis, the validity of which depends on the outcome of those plans and measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of extension for repayment of outstanding bank borrowings; (ii) the collection of outstanding trade receivables, other receivables, deposits and prepayments and contract assets balances; (iii) successfully managing the impact of the economic downturn on the Group's operations from time to time and generate sufficient cash flows from its operations; (iv) the result of the proposed rights issue. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the Group fail to achieve the abovementioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of Hong Kong Exchange Clearing Limited (www.hkexnews.hk) and the Company's website (www.spacegroup.com.mo). The annual report for the year ended 31 December 2023 will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises Mr. Che Chan U, Ms. Lei Soi Kun, Mr. Lok Wai Tak and Mr. Ho Kwong Yu as executive Directors; and Mr. Eulógio dos Remédios, José António, Mr. Lam Chi Wing, Mr. Li Guohui and Mr. Choi King Leung as independent non-executive Directors.