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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 2020

HIGHLIGHTS

- For the year ended 31 December 2020, revenue of the Group amounted to approximately MOP400,016,000, representing a decrease of approximately 11.5% as compared to the revenue of last year (2019: MOP451,904,000), and the profit attributable to equity shareholder of the Company and profit for the year ended 31 December 2020 was approximately MOP39,396,000, while the profit attributable to equity shareholders of the Company and profit for the year ended 31 December 2019 was approximately MOP61,955,000, representing a decrease of approximately 36.4%.
- For the year ended 31 December 2020, the Group established the financial services segment. The Group acquired the entire issued share capital of Space Securities Limited and Space Asset Management Limited in 2020 which are licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.
- The Company's basic earnings per share for the year ended 31 December 2020 was MOP5 cents (2019: MOP8 cents) which is in line with the profit attributable to equity shareholders of the Company when compared to the year ended 31 December 2019.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

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 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in Macau Pataca)

		2020	2019
	<i>Notes</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue	3	400,016	451,904
Cost of sales		<u>(323,729)</u>	<u>(344,385)</u>
Gross profit		76,287	107,519
Other income and gains, net	4	5,376	229
General and administrative expenses		<u>(22,626)</u>	<u>(26,093)</u>
Profit from operations		59,037	81,655
Finance costs	6	(13,604)	(8,386)
Share of results of an associate		<u>228</u>	<u>(365)</u>
Profit before taxation	5	45,661	72,904
Income tax	7	<u>(6,265)</u>	<u>(10,949)</u>
Profit for the year		<u>39,396</u>	<u>61,955</u>
Attributable to:			
Equity shareholders of the Company		39,396	61,955
Non-controlling interests		<u>–</u>	<u>–</u>
Profit for the year		<u>39,396</u>	<u>61,955</u>
Earnings per share			
– Basic and diluted	8	<u>MOP0.05</u>	<u>MOP0.08</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Macau Pataca)

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Profit for the year	39,396	61,955
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on the revaluation of land held for own use upon the change of use to investment properties, net of tax	–	19,936
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on the translation of operations based outside Macau	(93)	8
Release of exchange reserve upon the disposal of a subsidiary	<u>103</u>	<u>–</u>
Other comprehensive income for the year, net of tax	<u>10</u>	<u>19,944</u>
Total comprehensive income for the year	<u>39,406</u>	<u>81,899</u>
Attributable to:		
Equity shareholders of the Company	39,406	81,899
Non-controlling interests	<u>–</u>	<u>–</u>
Total comprehensive income for the year	<u>39,406</u>	<u>81,899</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at year ended 31 December 2020

(Expressed in Macau Pataca)

		31 December 2020	31 December 2019
	<i>Notes</i>	<i>MOP'000</i>	<i>MOP'000</i>
Non-current assets			
Property, plant and equipment		3,599	5,986
Investment properties		110,210	110,210
Investment in an associate		–	11,257
Investment in an insurance contract		2,658	2,573
Other non-current assets		812	–
		117,279	130,026
Current assets			
Contract assets		31,306	53,867
Trade and other receivables	9	413,424	436,897
Prepayments		219,855	61,880
Amount due from a director		9,534	–
Financial assets at fair value through profit or loss		28	–
Pledged deposits		92,133	41,672
Cash and cash equivalents (excluding bank overdrafts)		96,231	11,021
		862,511	605,337
Current liabilities			
Trade and other payables	10	62,370	62,389
Bank loans and overdrafts and other borrowings		436,913	220,285
Lease liabilities		1,693	2,309
Amount due to a director		–	2,828
Tax payable		31,296	37,574
		532,272	325,385
Net current assets		330,239	279,952
Total assets less current liabilities		447,518	409,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at year ended 31 December 2020

(Expressed in Macau Pataca)

	31 December 2020 MOP'000	31 December 2019 MOP'000
Non-current liabilities		
Deferred tax liabilities	2,684	2,691
Lease liabilities	1,514	3,373
	<u>4,198</u>	<u>6,064</u>
NET ASSETS	<u>443,320</u>	<u>403,914</u>
CAPITAL AND RESERVES		
Share capital	7,828	7,828
Reserves	435,443	396,037
Total equity attributable to equity shareholders of the Company	443,271	403,865
Non-controlling interests	49	49
TOTAL EQUITY	<u>443,320</u>	<u>403,914</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Macau Pataca unless otherwise indicated)

1 GENERAL INFORMATION

Space Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in the fitting-out works and building construction works. Following the acquisition of Space Securities Limited (formerly known as “All EverGreen Securities Limited”) (“**SSL**”) and Space Asset Management Limited (formerly known as “All EverGreen Asset Management Limited”) (“**SAML**”) in October 2020, the Group also engaged in the provision of financial services.

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 Island and its principal place of business in Hong Kong is 2612-13, One Midtown, 11 Hoi Shing Road, Tsuen Wan, Hong Kong.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

(b) Basis of preparation of the financial statements

The HKICPA has issued certain new and amended HKFRSs and revised Conceptual Framework that are mandatory for the first time for the financial year beginning 1 January 2020. The following developments have no material impact on the Group’s reported results and financial position for the current and prior accounting period:

- (i) HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- (ii) HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- (iii) HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- (iv) HKFRS 3 (Revised) (Amendments), *Business Combinations*
- (v) HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- (vi) HKFRS 9 (Amendments), *Financial Instruments*
- (vii) HKFRS 16 (Amendments), *Leases*
- (viii) Conceptual Framework for Financial Reporting 2018

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

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that an investment in an insurance contract is stated at its cash surrender value and investment properties, and financial assets at fair value through profit or loss are measured at fair value.

As at 31 December 2020, the Group reported a net cash used in operating activities of MOP76,000,000 for the year ended 31 December 2020.

The Group's net cash used in operating activities was resulted from the longer collection period on its trade receivables, as compared to the shorter settlement pattern of its accounts and other payables, leading to the use of short term banking facilities to finance its working capital. As at 31 December 2020, bank loans and overdrafts amounting to MOP425,068,000 which have repayable on demand clauses and have been classified under current liabilities on the consolidated statement of financial position. Certain banking facilities were secured against the Group's pledged deposits of MOP92,133,000 and bank loans of MOP205,627,000 was secured against the Group's investment properties with carrying values of MOP110,210,000 as at 31 December 2020.

The Directors have given careful consideration of the liquidity requirements for the Group's operations, the performance of the Group and available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern basis. The Directors have reviewed the Group's cash flow projections prepared by management which covers a period of twelve months from 31 December 2020. The Directors have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

- (1) The Group has reached an agreement with certain major customers to collect a majority of the trade receivables which were outstanding as at 31 December 2020 by phases during the year ending 31 December 2021, of which approximately MOP55,537,000 has been collected subsequent to 31 December 2020 and up to the date of this announcement.
- (2) Three existing loan facilities are subject to annual review by the banks, (i) being loans of MOP239,211,000, of which MOP232,613,000 was drawn as at 31 December 2020. Such loan facilities are currently under review by the bank upon its expiry in February 2021 and is at the stage of negotiating the terms of the renewed facilities; (ii) being a trade loan of MOP84,000,000 with an annual review in March 2021, of which MOP52,326,000 was drawn as at 31 December 2020, and (iii) being a revolving loan of MOP61,800,000 with an annual review in November 2021, which was fully drawn as at 31 December 2020. Given the longstanding and good relationship with the banks, management is confident that such banking facility will be renewed upon its expiry.

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions, and consequently be able to generate adequate financing and operating cash flows would depend upon, among other things: (i) the successful and timely collection of trade receivables, and (ii) the availability and successful renewal of the abovementioned banking facilities for the next twelve months.

The Directors, after due consideration of the basis of the plans and measures as described above as well as the reasonable possible downside changes to the cash flow assumptions, are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for at least in the next twelve months from 31 December 2020. Accordingly, the Directors considered it appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

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

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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are the carrying out of fitting-out and building construction works. Following the acquisition of SSL and SAML, the Group also engaged in the 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	Building construction works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended				
31 December 2020				
At a point in time	–	–	1,579	1,579
Over time	398,437	–	–	398,437
	<u>398,437</u>	<u>–</u>	<u>1,579</u>	<u>400,016</u>
	<u>398,437</u>	<u>–</u>	<u>1,579</u>	<u>400,016</u>
	Fitting-out works MOP'000	Building construction works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended				
31 December 2019				
At a point in time	–	–	–	–
Over time	346,443	105,461	–	451,904
	<u>346,443</u>	<u>105,461</u>	<u>–</u>	<u>451,904</u>
	<u>346,443</u>	<u>105,461</u>	<u>–</u>	<u>451,904</u>

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 1 to 40 months (2019: from 2 to 30 months).

Financial services represents performance obligations that the Group satisfies at a point in time upon the execution of the underlying transaction.

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

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is MOP439,812,000 (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 5 to 35 months (2019: 1 to 25 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.
- Building construction works: this segment is involved in structural building works, including procurement of materials, site supervision, management of subcontractors and overall project management.
- Financial services: this segment is involved in the provision of securities brokerage services and securities and asset management advisory services to customers.

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*

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.

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

Information regarding the performance of the Group's reportable segments for the years ended 31 December 2020 and 2019 is set out below.

Year ended 31 December 2020

	Fitting-out works <i>MOP'000</i>	Building construction works <i>MOP'000</i>	Financial services <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue from external customers	398,437	–	1,579	400,016
Segment profit	<u>74,708</u>	<u>–</u>	<u>1,579</u>	<u>76,287</u>

Year ended 31 December 2019

	Fitting-out works <i>MOP'000</i>	Building construction works <i>MOP'000</i>	Financial services <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue from external customers	346,443	105,461	–	451,904
Segment profit	<u>81,755</u>	<u>25,764</u>	<u>–</u>	<u>107,519</u>

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Total segment profit	76,287	107,519
Other income and gains, net	5,376	229
Finance costs	(13,604)	(8,386)
Share of results of an associate	228	(365)
Unallocated head office and corporate expenses	<u>(22,626)</u>	<u>(26,093)</u>
Profit before taxation	<u>45,661</u>	<u>72,904</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 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	
	2020 MOP'000	2019 MOP'000	2020 MOP'000	2019 MOP'000
Macau (place of domicile)	<u>275,341</u>	<u>270,598</u>	<u>112,740</u>	<u>114,985</u>
Hong Kong	<u>120,887</u>	<u>171,006</u>	<u>1,881</u>	<u>1,211</u>
Mainland China	<u>3,788</u>	<u>10,300</u>	<u>–</u>	<u>–</u>
	<u>124,675</u>	<u>181,306</u>	<u>1,881</u>	<u>1,211</u>
	<u>400,016</u>	<u>451,904</u>	<u>114,621</u>	<u>116,196</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:

	2020 MOP'000	2019 MOP'000
Customer A (note (i)) [#]	<u>121,890</u>	<u>–</u>
Customer B (note (ii))	<u>77,195</u>	<u>66,516</u>
Customer C (note (iii))	<u>68,331</u>	<u>59,008</u>
Customer D (note (ii))	<u>57,010</u>	<u>179,294</u>
Customer E [#]	<u>–</u>	<u>104,461</u>

Notes:

[#] The corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 December 2020 or 31 December 2019.

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

(ii) This transaction is attributable to segment of fitting-out works in Hong Kong.

(iii) These transactions are attributable to segment of fitting-out works in Macau.

4 OTHER INCOME AND GAINS, NET

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Interest income	507	551
Government subsidies (<i>note (i)</i>)	552	–
Others	154	–
	<hr/>	<hr/>
Total other income	1,213	551
	<hr/>	<hr/>
Net increase/(decrease) in cash surrender value of an investment in an insurance contract	85	(265)
Net exchange gains/(losses)	318	(57)
Gain on disposal of subsidiaries (<i>note (ii)</i>)	3,695	–
Gain on bargain purchase of subsidiaries	65	–
	<hr/>	<hr/>
Total other gains/(losses)	4,163	(322)
	<hr/>	<hr/>
Total other income and gains, net	5,376	229
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (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 2020, the Company received government subsidies of a total of MOP552,000.
- (ii) Pursuant to the share transfer agreements dated 13 November 2020 and 27 December 2020, the Group disposed the entire issued share capital of Space Construction & Engineering (Hong Kong) Co., Ltd. and 珠海市恒宇建築工程有限公司 for a total consideration of MOP9,210,000.

5 PROFIT BEFORE TAXATION

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
(a) Staff costs		
Contributions to defined contribution retirement plans	246	256
Salaries, wages and other benefits	17,910	23,200
	<u>18,156</u>	<u>23,456</u>
Less: Staff costs included in cost of sales	(6,070)	(13,546)
Staff costs included in general and administrative expenses	<u>12,086</u>	<u>9,910</u>
(b) Other items		
Cost of construction, excluding staff costs	317,659	330,839
Depreciation	2,393	2,384
Auditors' remuneration	1,494	1,400
(Reversal of impairment)/impairment losses of trade and other receivables and contracts assets	(864)	2,825
Expenses relating to leases of short term leases	37	212
Expense relating to a lease of low value asset	4	4
Others	7,476	9,358
	<u>328,199</u>	<u>347,022</u>

6 FINANCE COST

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Finance costs		
Interest on bank loans and overdrafts and other borrowings	13,377	8,046
Interest expense on lease liabilities	227	340
	<u>13,604</u>	<u>8,386</u>

7 INCOME TAX

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Current tax – Macau Complementary Tax		
Provision for the year	5,082	4,254
Current tax – Hong Kong Profits Tax		
Provision for the year	1,190	6,723
Deferred tax		
Origination and reversal of temporary differences	(7)	(28)
	<u>6,265</u>	<u>10,949</u>

Notes:

- (i) The Group is not subject to any income tax in the Cayman Islands and British Virgin Islands pursuant to the rules and regulations in the corresponding jurisdictions.
- (ii) Macau Complementary Tax is calculated at 12% (2019: 12%) of the estimated assessable profits exceeding MOP600,000 (2019: MOP600,000) for the year ended 31 December 2020.
- (iii) 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 year ended 31 December 2020 and 2019 is calculated in accordance with the two-tiered profits tax regime.
- (iv) Corporate Income Tax in the People’s Republic of China (“**the PRC**”) for 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 year ended 31 December 2020 and 2019.
- (a) **Reconciliation between income tax and accounting profit at applicable tax rates:**

	2020 <i>MOP’000</i>	2019 <i>MOP’000</i>
Profit before taxation	<u>45,661</u>	<u>72,904</u>
Notional tax on profit before taxation calculated at the rates applicable to profits in the regions concerned	5,708	10,445
Tax effect of non-deductible expenses	416	67
Tax losses not recognised for deferred tax purpose	648	819
Utilisation of previously unrecognised tax losses	(128)	(310)
Tax effect of tax exemption under Macau Complementary Tax	<u>(379)</u>	<u>(72)</u>
Income tax	<u>6,265</u>	<u>10,949</u>

8 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share attributable to equity shareholders of the Company was based on the following data:

Earnings

	2020 <i>MOP’000</i>	2019 <i>MOP’000</i>
Profit for the year attributable to equity shareholders of the Company	<u>39,396</u>	<u>61,955</u>

Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares as at 1 January	760,000	760,000
Effect of the issuance of new shares	—	—
Weighted average number of ordinary shares as at 31 December	<u>760,000</u>	<u>760,000</u>

(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 potential dilutive ordinary shares for both years.

9 TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Trade receivables			
– Third parties		338,874	392,055
– A related party	(i)	2,567	600
Less: loss allowance		<u>(2,799)</u>	<u>(3,907)</u>
Trade receivables, net		----- 338,642	----- 388,748
Deposits		657	446
Other receivables, net	(ii), (iii) and (iv)	<u>74,125</u>	<u>47,703</u>
		<u>413,424</u>	<u>436,897</u>

Notes:

- (i) The related party is a company owned by Mr. Che Chan U, the director of the Group.
- (ii) As at 31 December 2020 and 2019, the assets are expected to be recovered within one year.
- (iii) Other receivables included the receivable of MOP2,000,000 relating to the disposal of 珠海市恒宇建築工程有限公司, which is fully settled subsequent to the year end.
- (iv) As at 31 December 2020, loss allowance for other receivables was MOP183,000 (2019: Nil).

Ageing analysis

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Within 1 month	48,816	11,547
1 to 3 months	46,712	64,725
3 to 6 months	61,467	81,710
6 to 12 months	148,409	160,448
Over 1 year but less than 2 years	34,706	73,077
Over 2 years but less than 3 years	1,331	1,148
	<u>341,441</u>	<u>392,655</u>

Movements in the loss allowance of trade receivables during the year were as follows:

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
As at 1 January	3,907	1,280
(Reversal of impairment)/impairment losses	<u>(1,108)</u>	<u>2,627</u>
As at 31 December	<u>2,799</u>	<u>3,907</u>

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 31 December 2020, amount due from a related party of MOP2,567,000 (2019: MOP600,000), which is trade-related, unsecured, interest-free and due within 45 days from the date of invoice.

10 TRADE AND OTHER PAYABLES

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Trade payables	40,445	28,663
Retention payables (<i>note (ii)</i>)	14,012	15,483
Contract liabilities	1,249	1,074
Other payables and accruals	6,664	17,169
	<u>62,370</u>	<u>62,389</u>

Notes:

- (i) Save as disclosed in note (ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for an amount of MOP17,000 (2019: MOP2,189,000), all of the remaining balances are expected to be settled within one year.

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Within 1 month	18,141	3,615
1 to 3 months	281	303
3 to 6 months	171	411
Over 6 months	21,852	24,334
	<u>40,445</u>	<u>28,663</u>

11 DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

12 SUBSEQUENT EVENT

On 17 March 2021, the Company entered into the Placing Agreement with Space Securities Limited (the “**Placing Agent**”), a wholly owned subsidiary of the Company, whereby the Company conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum of 60,000,000 new shares, representing 7.89% of the Company’s existing issued share capital and approximately 7.32% of the Company’s issued share capital as enlarged by the allotment and issuance of the maximum of 60,000,000 new shares, to not less than six independent placees at the pricing of HK\$2.3 per placing share. The completion of the Placing is conditional and is subject to approval from the Stock Exchange and the Securities and Futures Commission. The proceeds of the Placing will depend on the number of share being placed by the placees, and with a maximum gross proceeds of HK\$138,000,000 (approximately MOP142,140,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

This is a difficult year for the global economy, and for the Group since the impact of the outbreak of COVID-19 has carried forward to the year of 2020. The Group fought hard to maintain its business by submitting more project tenders and strengthening the quality control of the fitting-out works and building construction works provided to its clients.

The Group continued to concentrate on the fitting-out works for hotels and property owners in Macau and Hong Kong. The decrease of the building construction works compared with 2019 was mainly attributable to the completion of the building construction works in Hong Kong by the end of the financial year 2019.

Despite the record of the decrease in revenue of the Group when compared to 2019, as the cost of sales and general 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 year ended 31 December 2020.

The Group entered into agreement last year to acquire a licensed securities and asset management institution licensed under the Securities and Futures Ordinance to carry out Type 1, Type 4 and Type 9 regulated activities, after which, the Group intends to expand into the Greater Bay Area with great potential to explore business opportunities through the provision of various financial services including securities trading, underwriting, investment advisory, and asset management.

As the financial market in Hong Kong is well-established, well-equipped and technologically advanced, and have trained many financial professionals over the years, the financial industry has not been greatly affected by the outbreak of COVID-19 pandemic and the investors can still use mobile applications for the trading of shares online anytime. According to the latest statistics available from the Stock Exchange, despite global market fluctuations throughout 2020, the Stock Exchange's primary market took the lead in terms of IPOs in the global market with a total of 154 companies listed on the Stock Exchange, raising an amount of HK\$397.5 billion, which is a record high since 2010. The Group will be committed to capitalizing on development opportunities arising from the financial market, while proactively exploring financial service businesses that are in the interest of the Group and its shareholders as a whole.

For the year ended 31 December 2020, the Group's revenue came from (i) fitting-out works; and (ii) financial service. The epidemic delayed the Group's fitting-out and building construction projects during the year, resulting in a decrease in the Group's revenue. However, the Group is still confident in the future development of the Group with the great business opportunities in financial services industry and strong backlog of fitting out projects in hand. For the year ended 31 December 2020, the Group kicked off new awarded fitting-out projects of a total contract amount of approximately MOP613.9 million (2019: approximately MOP511.9 million).

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group's revenue was approximately MOP400.0 million (2019: approximately MOP451.9 million). For the year ended 31 December 2020, the Group recorded profit for the year of approximately MOP39.4 million (2019: approximately MOP62.0 million). During the year ended 31 December 2020, the Group completed 11 projects (11 fitting-out projects), and was awarded 17 fitting-out projects.

Revenue

For the year ended 31 December 2020, revenue of the Group amounted to approximately MOP400.0 million, representing a decrease of approximately 11.5% from approximately MOP451.9 million in 2019.

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

The revenue from fitting-out works increased from approximately MOP346.4 million for the year ended 31 December 2019 to approximately MOP398.4 million for the year ended 31 December 2020. Such increase was mainly attributable to several projects being awarded and commenced in 2020.

The decrease in revenue from building construction works was mainly attributable to the completion of the building construction works in Hong Kong by the end of the financial year 2019.

The revenue from financial services amounted to approximately MOP1.6 million for the year ended 31 December 2020 was derived after the acquisition of SSL and SAML in October 2020. As at 31 December 2020, the client assets (including cash and stocks) of the licensed institutions were approximately HKD127.9 million (approximately MOP131.7 million).

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 29.0% to approximately MOP76.3 million in 2020 from approximately MOP107.5 million in 2019, while the Group's gross profit margin was approximately 19.1% in 2020 as compared to a gross profit margin of 23.8% in 2019. The decrease in gross profit margin was mainly due to the decrease of gross profit margin from fitting-out works in Hong Kong.

Other Income and Gains, net

We had other income and gains, net of approximately MOP5.4 million and MOP0.2 million in 2020 and 2019 respectively. The sharp increase of other income and gains net in 2020 was mainly due to the gain on disposal of subsidiaries of approximately MOP3.7 million for the year ended 31 December 2020.

General and Administrative Expenses

The Group's administrative expenses decreased to approximately MOP22.6 million in 2020 from approximately MOP26.1 million in 2019. The decrease by approximately 13.3% was mainly attributable to the impairment loss of trade and other receivables and contract assets of approximately MOP2.8 million recognised in 2019, while a reversal of impairment of trade and other receivable and contract assets of approximately MOP0.9 million was recognised in 2020.

Finance Costs

The Group's finance costs increased to approximately MOP13.6 million in 2020 from approximately MOP8.4 million in 2019. The increase of approximately 62.2% was mainly due to the increase in bank loans and overdrafts and other borrowings in 2020.

Income Tax

The Group's income tax decreased to approximately MOP6.3 million in 2020 from approximately MOP10.9 million in 2019. The decrease of approximately 42.8% was mainly due to the decrease of profit before taxation in 2020.

Profit for the year

Profit for the year decreased by approximately 36.4% to approximately MOP39.4 million in 2020 from approximately MOP62.0 million in 2019, which was mainly attributable to the combined effect of the aforementioned items.

Total comprehensive income for the year

The total comprehensive income for the year in 2020 was approximately MOP39.4 million, while the total comprehensive income in 2019 was approximately MOP81.9 million, representing a decrease of approximately 51.9%. It was mainly due to the decrease of profit for the year as mentioned above and the result of surplus recognised in 2019 on the revaluation of land held for own use upon the change of use to investment properties, net of tax of approximately MOP19.9 million.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2020, the Group had an aggregate of pledged deposits, bank deposits, and cash and cash equivalents of approximately MOP188.4 million (2019: approximately MOP52.7 million), representing an increase of approximately 257.5% as compared to that as at 31 December 2019. As at 31 December 2020, bank deposits of approximately MOP92.1 million (2019: approximately MOP41.7 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 2020, the Group had bank loans and overdraft and other borrowings of approximately MOP436.9 million (2019: approximately MOP220.3 million), including two 1.0% bonds of a total proceed of MOP12.4 million issued to an independent third party with an effective interest rate of 13.1% per annum. The borrowings of approximately MOP436.9 million (2019: approximately MOP220.3 million) will be repayable within one year or on demand.

As at 31 December 2020, bank loans and overdraft and other borrowings of approximately MOP425.1 million (2019: approximately MOP220.3 million) were secured by land held by the Group, pledged deposits of the Group, corporate guarantees provided by the Company and certain subsidiaries of the Group and investment in an insurance contract.

As at 31 December 2020, the assets pledged to secure certain banking facilities granted to the Group amounted to approximately MOP205.0 million (2019: approximately MOP154.5 million).

Gearing Ratio

As at 31 December 2020, the gearing ratio (calculated by total debts divided by total equity; total debts include bank loans and overdrafts and other borrowings) increased to approximately 0.986 (2019: approximately 0.545) mainly due to the increase 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 substantially all of the Group's transactions are denominated in Macau Pataca and Hong Kong dollar, which is pegged to Macau Pataca.

Capital structure

There has been no change in the capital structure of the Company during the year ended 31 December 2020. The capital of the Company comprises ordinary shares and other reserves.

Capital commitments

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

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities of approximately MOP20.7 million (2019: approximately MOP40.6 million). The decrease was primarily due to the decrease of bank guarantees given to potential customers for an invitation to tender.

Material Acquisitions and Disposals

Pursuant to the share transfer agreement dated 30 September 2020, the Group acquired the entire issued share capital of Space Securities Limited and Space Asset Management Limited for an aggregate price of approximately MOP14.3 million. Space Securities Limited is a company incorporated in Hong Kong with limited liability and is licensed under the Securities and Futures Ordinance (the "SFO") to carry out Type 1 (dealing in securities) regulated activity, and Space Asset Management Limited is a company incorporated in Hong Kong with limited liability and is licensed under the SFO to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Pursuant to the share transfer agreements dated 13 November 2020 and 27 December 2020, the Group disposed the entire issued share capital of Space Construction and Engineering (Hong Kong) Limited and 珠海市恒宇建築工程有限公司, together with the investment in 60 Plus Smart Technology Co., Ltd, for a total consideration of approximately MOP9.2 million.

Save as disclosed above, during the year ended 31 December 2020, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Significant investments held

As at 31 December 2020, the Group held investment properties situated at Nos. 23, 25, 27, 32 and 34, Rua Du Cunha, Coloane, Macau. The properties are in the process of construction.

The Group also had an investment in an insurance contract which represented a life insurance policy for key management staff (the “**Insurance Policy**”). The Group is the beneficiary of the Insurance Policy. As at 31 December 2020, the Insurance Policy of MOP2.7 million was pledged to a bank to secure certain banking facilities of the Group, which included performance bonds and loan facilities granted to the Group.

Save as disclosed above, as at 31 December 2020, the Group had no other significant investments.

Future Plans for Material Investments

The Group did not have other plans for material investments and capital assets as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 81 employees (as at 31 December 2019: 72). Total staff costs (including Directors’ emoluments) were approximately MOP18.2 million for the year ended 31 December 2020, as compared with approximately MOP23.5 million for the year ended 31 December 2019. The decrease is mainly attributable to the decrease in workers as the Group increased the portion of subcontracting.

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, 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’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The Share Option Scheme 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

On 17 March 2021, the Company entered into the Placing Agreement with Space Securities Limited (the “**Placing Agent**”), a wholly owned subsidiary of the Company, whereby the Company conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum of 60,000,000 new shares, representing 7.89% of the Company’s existing issued share capital and approximately 7.32% of the Company’s issued share capital as enlarged by the allotment and issuance of the maximum of 60,000,000 new shares, to not less than six independent placees at the pricing of HK\$2.3 per placing share. The completion of the Placing is conditional and is subject to approval from the Stock Exchange and the Securities and Futures Commission. The proceeds of the Placing will depend on the number of share being placed by the placees, and with a maximum gross proceeds of HK\$138,000,000 (approximately MOP142,140,000).

DIVIDEND AND DIVIDEND POLICY

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2020.

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 financial year 2020 is a challenging year to the global economy and the Group. Despite the record of the decrease in revenue of the Group when compared to 2019, the Group managed to have a positive result for the consolidated statement of profit or loss for the year ended 31 December 2020.

With the vaccine against the novel coronavirus, it is believed that the economic environment in the Macau, Hong Kong and PRC, as well as around the world, is expected to gradually get back on track. The management looks forward to the development of the fitting out projects in Macau and Hong Kong, which is likely to enable the Group to maintain a stable income stream in the financial year 2021. In addition, following the acquisition of two licensed corporations, the Group intends to expand into the Greater Bay Area with great potential to explore business opportunities through the provision of various financial services including securities trading, underwriting, investment advisory, and asset management.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 23 June 2021 (Wednesday) (“**2021 AGM**”) and the notice of 2021 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 2021 AGM of the Company to be held on 23 June 2021 (Wednesday), the register of members of the Company will be closed from 18 June 2021 (Friday) to 23 June 2021 (Wednesday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2021 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 June 2021 (Thursday).

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 14 of the Listing Rules since 1 January 2020 and up to 31 December 2020 (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 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Relevant Period.

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 2020 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

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

Members of the Audit Committee are Mr. Fan Chun Wah, Andrew, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun (all are independent non-executive Directors). Mr. Fan Chun Wah, Andrew currently serves as the chairman of the Audit Committee. Pursuant to the meeting of the Audit Committee, the Audit Committee reviewed, among other things, the audited financial statements for the year ended 31 December 2020 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 2020 have been reviewed by the Audit Committee before submission to the Board for approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants, and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 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 2020 will be despatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 19 March 2021

As at the date of this announcement, the Board comprises Mr. Che Chan U, Ms. Lei Soi Kun and Mr. Ho Kwong Yu 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.