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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 2021

HIGHLIGHTS

- For the year ended 31 December 2021, revenue of the Group amounted to approximately MOP523,278,000, representing an increase of approximately 30.8% as compared to the revenue of last year (2020: MOP400,016,000), and the profit attributable to equity shareholder of the Company and profit for the year ended 31 December 2021 was approximately MOP51,825,000, while the profit attributable to equity shareholders of the Company and profit for the year ended 31 December 2020 was approximately MOP39,396,000, representing an increase of approximately 31.5%.
- Gross profit of the Group amounted to approximately MOP134,725,000 for the year ended 31 December 2021, representing an increase of approximately 76.6% compared to last year (2020: MOP76,287,000). The gross profit margin was approximately 25.7% in 2021 as compared to the gross profit margin of 19.1% in 2020, representing an increase of 6.6%.
- The Company's basic earnings per share for the year ended 31 December 2021 was MOP7 cents (2020: MOP5 cents) which is in line with the profit attributable to equity shareholders of the Company when compared to the year ended 31 December 2020.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: 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 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(Expressed in Macau Pataca)

	Notes	2021 MOP'000	2020 MOP'000
Revenue	3	523,278	400,016
Cost of revenue		<u>(388,553)</u>	<u>(323,729)</u>
Gross profit		134,725	76,287
Other income and gains, net (Impairment losses)/reversal of impairment loss of financial assets and contract assets	4	2,598	5,376
Administrative and other expenses		<u>(50,897)</u>	<u>(23,490)</u>
Profit from operations		77,900	59,037
Finance costs	6	(16,615)	(13,604)
Share of results of an associate		<u>–</u>	<u>228</u>
Profit before taxation	5	61,285	45,661
Income tax	7	<u>(9,601)</u>	<u>(6,265)</u>
Profit for the year		<u>51,684</u>	<u>39,396</u>
Attributable to:			
Equity shareholders of the Company		51,825	39,396
Non-controlling interests		<u>(141)</u>	<u>–</u>
Profit for the year		<u>51,684</u>	<u>39,396</u>
Earnings per share – Basic and diluted	8	<u>MOP0.07</u>	<u>MOP0.05</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in Macau Pataca)

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Profit for the year	51,684	39,396
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on the translation of operations based outside Macau	(63)	(93)
Release of exchange reserve upon the disposal of a subsidiary	—	103
	<u> </u>	<u> </u>
Other comprehensive (expense)/income for the year, net of income tax	(63)	10
	<u> </u>	<u> </u>
Total comprehensive income for the year	51,621	39,406
	<u> </u>	<u> </u>
Attributable to:		
Equity shareholders of the Company	51,762	39,406
Non-controlling interests	(141)	—
	<u> </u>	<u> </u>
Total comprehensive income for the year	51,621	39,406
	<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Macau Pataca)

		31 December 2021	31 December 2020
	<i>Notes</i>	MOP'000	MOP'000
Non-current assets			
Property, plant and equipment		37,141	3,599
Investment properties		110,210	110,210
Investment in an associate		–	–
Investment in an insurance contract		2,744	2,658
Deferred tax assets		1,072	–
Other non-current assets		812	812
		151,979	117,279
Current assets			
Contract assets		67,378	31,306
Trade and other receivables	9	389,925	413,424
Prepayments		439,643	219,855
Amount due from a director		–	9,534
Financial assets at fair value through profit or loss		30	28
Pledged deposits		119,352	92,133
Cash and bank balances (excluding bank overdrafts)		96,662	96,231
		1,112,990	862,511
Current liabilities			
Trade and other payables	10	86,384	62,370
Bank loans and overdrafts and other borrowings		499,273	436,913
Lease liabilities		7,604	1,693
Amount due to a director		4,453	–
Tax payable		41,415	31,296
		639,129	532,272
Net current assets		473,861	330,239
Total assets less current liabilities		625,840	447,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

(Expressed in Macau Pataca)

	31 December 2021 MOP'000	31 December 2020 MOP'000
Non-current liabilities		
Lease liabilities	16,042	1,514
Deferred tax liabilities	2,965	2,684
	<u>19,007</u>	<u>4,198</u>
NET ASSETS	606,833	443,320
CAPITAL AND RESERVES		
Share capital	8,302	7,828
Reserves	598,623	435,443
Total equity attributable to equity shareholders of the Company	606,925	443,271
Non-controlling interests	(92)	49
TOTAL EQUITY	606,833	443,320

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 fitting-out 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 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 and Ms. Lei Soi Kun.

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 consolidated 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 consolidated 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 consolidated financial statements

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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

HKFRS 17	Insurance Contracts and related Amendments ³
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021 ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date 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.

The Group reported a net cash used in operating activities of MOP114,283,000 for the year ended 31 December 2021.

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 2021, bank loans and overdrafts amounting to MOP499,273,000 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 MOP119,352,000 and bank loan of MOP46,402,000 was secured against the Group's investment properties with carrying values of MOP110,210,000 as at 31 December 2021.

The directors of the Company 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 2021. The directors of the Company have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

The Company will establish a collection team to follow up the collection progress and speed up the collection from settlement of trade receivables in order to improve the recovery rate and make sure the settlement on time.

Several existing loan facilities are subject to annual review by the banks and currently under review by bank upon its expiry in 2022. Given the longoutstanding and good relationship with the banks, the management of the Company 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 of the Company, 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 2021. Accordingly, the directors of the Company 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.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

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 2021			
Revenue from contract with customers within the scope of HKFRS 15			
Revenue from fitting-out works contracts	483,925	–	483,925
Fees and commission income from financial services	–	38,037	38,037
	483,925	38,037	521,962
Revenue from other source			
Interest income from margin financing	–	1,316	1,316
Total	483,925	39,353	523,278

	Fitting-out works <i>MOP'000</i>	Financial services <i>MOP'000</i>	Total <i>MOP'000</i>
For the year ended 31 December 2020			
Revenue from contract with customers within the scope of HKFRS 15			
Revenue from fitting-out works contracts	398,437	–	398,437
Fees and commission income from financial services	–	1,579	1,579
	<u>398,437</u>	<u>1,579</u>	<u>400,016</u>
Total	<u><u>398,437</u></u>	<u><u>1,579</u></u>	<u><u>400,016</u></u>

Disaggregation of revenue by timing of recognition:

	Fitting-out works <i>MOP'000</i>	Financial services <i>MOP'000</i>	Total <i>MOP'000</i>
For the year ended 31 December 2021			
At a point in time	–	35,462	35,462
Over time	483,925	2,575	486,500
	<u>483,925</u>	<u>38,037</u>	<u>521,962</u>
	<u><u>483,925</u></u>	<u><u>38,037</u></u>	<u><u>521,962</u></u>
	Fitting-out works <i>MOP'000</i>	Financial services <i>MOP'000</i>	Total <i>MOP'000</i>
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>1,579</u>	<u>400,016</u>
	<u><u>398,437</u></u>	<u><u>1,579</u></u>	<u><u>400,016</u></u>

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 (2020: from 1 to 40 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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is MOP1,916,459,000 (2020: MOP439,812,000). This amount represents revenue expected to be recognised in the future from fitting-out 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 3 to 24 months (2020: 5 to 35 months). The financial service contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

(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 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 2021 and 2020 is set out below.

Year ended 31 December 2021

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
Segment revenue from external customers	483,925	39,353	523,278
Segment profit	100,686	34,039	134,725

Year ended 31 December 2020

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
Segment revenue from external customers	398,437	1,579	400,016
Segment profit	74,708	1,579	76,287

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

	2021 MOP'000	2020 MOP'000
Total segment profit	134,725	76,287
Other income and gains, net	2,598	5,376
Finance costs	(16,615)	(13,604)
Share of results of an associate	–	228
Unallocated head office and corporate expenses	(59,423)	(22,626)
Profit before taxation	61,285	45,661

(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	
	2021 MOP'000	2020 MOP'000	2021 MOP'000	2020 MOP'000
Macau (place of domicile)	<u>111,022</u>	<u>275,341</u>	<u>110,402</u>	<u>112,740</u>
Hong Kong	<u>412,256</u>	<u>120,887</u>	<u>15,645</u>	<u>1,881</u>
Mainland China	<u>–</u>	<u>3,788</u>	<u>22,116</u>	<u>–</u>
	<u>412,256</u>	<u>124,675</u>	<u>37,761</u>	<u>1,881</u>
	<u>523,278</u>	<u>400,016</u>	<u>148,163</u>	<u>114,621</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:

	2021 MOP'000	2020 MOP'000
Customer A (note (i))	<u>197,708</u>	<u>121,890</u>
Customer B (note (ii))	<u>175,195</u>	<u>77,195</u>
Customer C (note (iii))	<u>68,443</u>	<u>68,331</u>
Customer D (note (ii))	<u>–</u>	<u>57,010</u>

Notes:

- (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

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Interest income	548	507
Government subsidies (<i>note (i)</i>)	1,487	552
Others	(32)	154
	<hr/>	<hr/>
Total other income	2,003	1,213
	<hr/>	<hr/>
Net increase in cash surrender value of an investment in an insurance contract	78	85
Net exchange gains	515	318
Fair value change on investment	2	–
Gain on disposal of subsidiaries (<i>note (ii)</i>)	–	3,695
Gain on bargain purchase of subsidiaries	–	65
	<hr/>	<hr/>
Total other gains	595	4,163
	<hr/>	<hr/>
Total other income and gains, net	2,598	5,376

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 2021, the Company received government subsidies of a total of MOP1,487,000 (2020: MOP552,000). There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (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):

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
(a) Staff costs (including director's emoluments)		
Contributions to defined contribution retirement plans	308	246
Salaries, wages and other benefits	27,398	17,910
	<u>27,706</u>	<u>18,156</u>
Less: Staff costs included in cost of revenue	(4,556)	(6,070)
Staff costs included in administrative and other expenses	<u>23,150</u>	<u>12,086</u>
(b) Other items		
Cost of construction, excluding staff costs	383,214	317,659
Depreciation	7,695	2,393
Auditors' remuneration	1,200	1,494
Impairment losses/(reversal of) impairment loss of trade and other receivables and contracts assets	8,526	(864)
Expenses relating to leases of short term leases	–	37
Expense relating to a lease of low value asset	–	4
Loss on early termination of leases	593	–
Others	19,042	7,476
	<u>420,270</u>	<u>328,199</u>
6 FINANCE COSTS		
	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Interests on:		
– Bank loans and overdrafts and other borrowings	15,887	13,377
– Lease liabilities	728	227
	<u>16,615</u>	<u>13,604</u>
7 INCOME TAX		
	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Current tax – Macau Complementary Tax		
Provision for the year	7,579	5,082
Current tax – Hong Kong Profits Tax		
Provision for the year	2,813	1,190
Deferred tax		
Origination and reversal of temporary differences	(791)	(7)
	<u>9,601</u>	<u>6,265</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

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Profit for the year attributable to equity shareholders of the Company	<u>51,825</u>	<u>39,396</u>

Weighted average number of ordinary shares

	2021 '000	2020 '000
Weighted average number of ordinary shares as at 31 December	<u>792,641</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>	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Trade receivables			
– Third parties	(i) and (ii)	377,145	338,874
– A related party	(iii)	2,567	2,567
Less: loss allowance		<u>(11,116)</u>	<u>(2,799)</u>
Trade receivables, net		<u>368,596</u>	<u>338,642</u>
Deposits		1,785	657
Other receivables, net	(iv) and (v)	<u>19,544</u>	<u>74,125</u>
		<u>389,925</u>	<u>413,424</u>

Notes:

- (i) As at 31 December 2021, MOP58,000 (2020: MOP4,893,000) represents trade receivables arising from financial service business, with loss allowance of MOP55,000 (2020: MOP12,000).
- (ii) As at 31 December 2021, trade receivables from contracts with customers amounted to MOP301,219,000 (2020: MOP336,548,000).
- (iii) The related party is a company owned by Mr. Che Chan U, the director of the Group.
- (iv) As at 31 December 2021 and 2020, the assets are expected to be recovered within one year.
- (v) Other receivables included the receivable of MOP2,000,000 relating to the disposal of 珠海市恒宇建筑工程有限公司, which was fully settled during the year ended 31 December 2021.

As at 31 December 2021, loss allowance for other receivables was MOP723,000 (2020: MOP183,000).

Ageing analysis

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

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Within 1 month	29,654	48,816
1 to 3 months	64,741	46,712
3 to 6 months	88,157	61,467
6 to 12 months	117,212	148,409
Over 1 year but less than 2 years	78,531	34,706
Over 2 years but less than 3 years	1,417	1,331
	<u>379,712</u>	<u>341,441</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 2021, amount due from a related party of MOP2,567,000 (2020: MOP2,567,000), which is trade-related, unsecured, interest-free and due within 45 days from the date of invoice.

10 TRADE AND OTHER PAYABLES

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Trade payables	19,916	40,445
Retention payables (<i>note (ii)</i>)	13,978	14,012
Contract liabilities	13,390	1,249
Other payables and accruals	39,100	6,664
	<u>86,384</u>	<u>62,370</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 nil (2020: MOP17,000), all of the remaining balances are expected to be settled within one year. As such amount is within the normal operating cycle, it is classified as current.
- (iii) As at 31 December 2021, MOP8,621,000 (2020: MOP10,540,000) represents trade payables to client and MOP28,000 (2020: MOP3,060,000) represents trade payables to clearing house.

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

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Within 1 month	497	18,141
1 to 3 months	184	281
3 to 6 months	502	171
Over 6 months	18,733	21,852
	19,916	40,445

11 DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

12 SUBSEQUENT EVENT

On 21 February 2022, the Company entered into a sale and purchase agreement to acquire a licensed corporation to carry out Type 6 regulated activity under the Securities and Futures Ordinance, at a consideration of HK\$105,000,000. The transaction is not completed up to reporting date subject to certain conditions including but not limited to the approval of the Securities and Futures Commission. For details, please refer to Company's announcements on 30 December 2021 and 21 February 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, with the launch vaccination programme worldwide, the epidemic was brought under control and economic activities around the world was gradually recovered. Despite the uncertainty of the business environment, our Group has managed to move forward. With the persistence and assurance of quality in fitting-out works as well as the determination to become one of the leaders in the finance field in the Greater Bay Area through the provision of integrated financial services in the region, the Group's performance in 2021 is encouraging. With revenue for the year ended 31 December 2021 increased by approximately 30.8%, and profit for the year increased by approximately 31.5% over the last year, the Group had a bumper year in 2021.

For the fitting-out works segment, the Group continued to focus on the provision of renovation works for hotels and property owners in Macau and Hong Kong. Despite the fierce competition in the industry, the unity of the Group's management and staff, together with their determination and hard work, has enabled the Group to record a profitable result in the year of 2021.

For the financial services segment, the Group continued to provide financial services through securities and asset management institutions licensed under the Securities and Futures Ordinance for Type 1, Type 4 and Type 9 regulated activities in 2021. The Group was also granted a Qualified Foreign Limited Partnership license (QFLP) in 2021. We provided a full range of financial services, including securities trading, underwriting and investment advisory, and asset management, to our customers according to their needs. Moreover, the Group's financial footprint expanded rapidly with the opening of a number of branches in Mainland China and the issuance of a QFLP license in Hengqin New Area, Zhuhai during the year. The Group also participated in the underwriting and placement of a number of new shares during the year. We were also pleased to receive the recognition and commendation from various institutions in 2021. With our excellent services and professionalism, the revenue from financial services increased significantly as compared to the year ended 2020.

The Group's revenue for the year ended 31 December 2021 was derived from (i) fitting-out works; and (ii) financial services. Although some of the Group's fitting-out works projects were delayed during the year due to the epidemic, the Group is still confident about its future development. For the year ended 31 December 2021, the Group received contracts for new renovation projects initiated by the Group totaling approximately MOP1,916.5 million (2020: approximately MOP613.9 million).

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's revenue was approximately MOP523.3 million (2020: approximately MOP400.0 million). For the year ended 31 December 2021, the Group recorded profit for the year of approximately MOP51.7 million (2020: approximately MOP39.4 million). During the year ended 31 December 2021, the Group completed 8 fitting-out projects, and was awarded 5 fitting-out projects.

Revenue

For the year ended 31 December 2021, revenue of the Group amounted to approximately MOP523.3 million, representing an increase of approximately 30.8% from approximately MOP400.0 million in 2020.

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

The revenue from fitting-out works increased from approximately MOP398.4 million for the year ended 31 December 2020 to approximately MOP483.9 million for the year ended 31 December 2021. Such increase was mainly attributable to several projects being commenced in 2021.

The revenue from financial services amounted to approximately MOP39.4 million for the year ended 31 December 2021 (2020: approximately: MOP1.6 million). As at 31 December 2021, the client assets (including cash and stocks) of the licensed institutions were approximately MOP2,680.7 million (2020: approximately MOP131.7 million).

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 76.6% to approximately MOP134.7 million in 2021 from approximately MOP76.3 million in 2020, while the Group's gross profit margin was approximately 25.7% in 2021 as compared to a gross profit margin of 19.1% in 2020. The increase in gross profit margin was mainly due to the increase of gross profit margin from financial services.

Other Income and Gains, net

We had other income and gains, net of approximately MOP2.6 million and MOP5.4 million in 2021 and 2020 respectively. The decrease in other income and gains, net in 2021 was mainly due to the one-off gain on disposal of subsidiaries of approximately MOP3.7 million for the year ended 31 December 2020.

Administrative and Other Expenses

The Group's administrative expenses and other expenses increased to approximately MOP50.9 million in 2021 from approximately MOP23.5 million in 2020. The increase by approximately 116.7% was mainly attributable to the acquisition of financial services business in October 2020.

Finance Costs

The Group's finance costs increased to approximately MOP16.6 million in 2021 from approximately MOP13.6 million in 2020. The increase of approximately 22.1% was mainly due to the increase in bank loans and overdrafts and other borrowings in 2021.

Income Tax

The Group's income tax increased to approximately MOP9.6 million in 2021 from approximately MOP6.3 million in 2020. The increase of approximately 41.2% was mainly due to the increase of profit before taxation in 2021.

Profit for the Year

Profit for the year increased by approximately 31.2% to approximately MOP51.7 million in 2021 from approximately MOP39.4 million in 2020, 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 2021 was approximately MOP51.6 million, while the total comprehensive income in 2020 was approximately MOP39.4 million, representing an increase of approximately 31.0%. It was mainly due to the increase of profit for the year as mentioned above.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2021, the Group had an aggregate of pledged deposits, bank deposit, and cash and bank balances of approximately MOP216.0 million (2020: approximately MOP188.4 million), representing an increase of approximately 14.7% as compared to that as at 31 December 2020. As at 31 December 2021, bank deposits of approximately MOP119.4 million (2020: approximately MOP92.1 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 2021, the Group had bank loans and overdraft and other borrowings of approximately MOP499.3 million (2020: approximately MOP436.9 million) will be repayable within one year or on demand.

As at 31 December 2021, bank loans and overdraft and other borrowings of approximately MOP499.3 million (2020: approximately MOP425.1 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 2021, the assets pledged to secure certain banking facilities granted to the Group amounted to approximately MOP232.3 million (2020: approximately MOP205.0 million).

Gearing Ratio

As at 31 December 2021, the gearing ratio (calculated by total debts divided by total equity; total debts include bank loans and overdrafts and other borrowings) increased to approximately 0.820 (2020: approximately 0.986) 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 substantial Group's transactions are denominated in Macau Pataca and Hong Kong dollar, which is pegged to Macau Pataca.

Capital Structure

On 16 April 2021, a total of 46,000,000 new shares of the Company had been successfully placed by the placing agent at the placing price of HK\$2.35 per placing share under the general mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 24 June 2020. Upon the completion of the aforesaid placing of new shares, the total number of issued shares was increased from 760,000,000 shares to 806,000,000 shares. Please refer to the Company's announcements of 17 March, 7 April and 16 April 2021 for further details of the placing. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitments

As at 31 December 2021, the Group had no capital commitments (2020: Nil).

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities of approximately MOP13.0 million (2020: approximately MOP20.7 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

During the year ended 31 December 2021, the Group did not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 80 employees (as at 31 December 2020: 81). Total staff costs (including Directors' emoluments) were approximately MOP27.7 million for the year ended 31 December 2021, as compared with approximately MOP18.2 million for the year ended 31 December 2020. The increase is mainly attributable to the expansion of business in provision of financial services.

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 21 February 2022, the Company entered into a sale and purchase agreement to acquire a licensed corporation to carry out Type 6 regulated activity under the Securities and Futures Ordinance, at a consideration of HK\$105,000,000. The transaction is not completed up to reporting date subject to certain conditions including but not limited to the approval of the Securities and Futures Commission. For details, please refer to Company's announcements on 30 December 2021 and 21 February 2022.

DIVIDEND AND DIVIDEND POLICY

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2021.

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

With the global vaccination program against the new coronavirus being implemented, it is believed that the economic environment in Macau, Hong Kong and the PRC, as well as around the world, will gradually return to normal. In the fitting-out works business, the management looks forward to commencing more renovation projects in Macau and Hong Kong, which will help the Group to maintain a stable revenue stream in 2022.

In addition, the Group's financial services sector will focus on its development to become a leading financial institution in the Greater Bay Area. Following the acquisition of two licensed corporations in 2020, the Group has also entered into a sale and purchase agreement to acquire the entire shareholding of Advent Corporation Finance Limited (“**Advent**”) in February 2022. Advent is qualified to act as sponsor and/or compliance adviser for the new listing of companies in the Stock Exchange. Its principal activities include assisting companies in launching initial public offerings; acting as independent financial adviser or financial adviser for various corporate actions including acquisition and disposal, equity and debt financing, corporate restructuring; and advising listed companies on compliance-related matters. This will enable the Group to expand the scope of financial services and to become a one-stop financial services provider. The Group looks forward to the synergy and additional revenue streams brought by this acquisition. In addition, the Group now operates its business in multiple locations, including Hong Kong, Macau, Zhuhai, Qingdao, Taiyuan and Hefei. The Group hopes to capture the business opportunities all across the country.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 24 June 2022 (Friday) (“**2022 AGM**”) and the notice of 2022 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 2022 AGM of the Company to be held on 24 June 2022 (Friday), the register of members of the Company will be closed from 21 June 2022 (Monday) to 24 June 2022 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2022 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 20 June 2022 (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 14 of the Listing Rules since 1 January 2021 and up to 31 December 2021 (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 2021 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 2021 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 2021 have been reviewed by the Audit Committee before submission to the Board for approval.

SCOPE OF WORK OF SHINEWING

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditor, SHINEWING, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by SHINEWING 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 SHINEWING on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 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 2021 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, 11 March 2022

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.