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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 2022

HIGHLIGHTS

- Revenue of fitting-out works decreased to approximately MOP434.9 million, representing a decrease of approximately 10.1%
- Revenue of financial services increased to approximately MOP42.2 million, representing an increase of approximately by 7.3%
- Profit attributable to owners of the Company was approximately MOP21.5 million
- Basic earnings per share for the year was approximately MOP3 cents
- The Board does not recommend the payment of final dividend for the year ended 31 December 2022

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in Macau Pataca)

| | Notes | 2022 MOP'000 | 2021 MOP'000 |
|---|-------|------------------------|------------------|
| Revenue | 3 | 477,128 | 523,278 |
| Cost of revenue | | <u>(358,787)</u> | <u>(388,553)</u> |
| Gross profit | | 118,341 | 134,725 |
| Other income and gains, net | 4 | 1,889 | 2,598 |
| Fair value loss on investment properties | | (10,917) | – |
| Impairment losses of financial assets and contract assets | | (16,471) | (8,526) |
| Administrative and other expenses | | <u>(50,546)</u> | <u>(50,897)</u> |
| Profit from operations | | 42,296 | 77,900 |
| Finance costs | 6 | <u>(18,538)</u> | <u>(16,615)</u> |
| Profit before taxation | 5 | 23,758 | 61,285 |
| Income tax | 7 | <u>(3,270)</u> | <u>(9,601)</u> |
| Profit for the year | | <u>20,488</u> | <u>51,684</u> |
| Attributable to: | | | |
| Owners of the Company | | 21,485 | 51,825 |
| Non-controlling interests | | <u>(997)</u> | <u>(141)</u> |
| Profit for the year | | <u>20,488</u> | <u>51,684</u> |
| Earnings per share | | | |
| – Basic and diluted | 8 | <u>MOP0.03</u> | <u>MOP0.07</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in Macau Pataca)

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|---|------------------------|------------------------|
| Profit for the year | 20,488 | 51,684 |
| Other comprehensive income/(expense) | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of financial statements of foreign operations | <u>627</u> | <u>(63)</u> |
| Other comprehensive income for the year, net of income tax | <u>627</u> | <u>(63)</u> |
| Total comprehensive income for the year | <u>21,115</u> | <u>51,621</u> |
| Attributable to: | | |
| Owners of the Company | 22,112 | 51,762 |
| Non-controlling interests | <u>(997)</u> | <u>(141)</u> |
| Total comprehensive income for the year | <u>21,115</u> | <u>51,621</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Macau Pataca)

| | | 31 December 2022 | 31 December 2021 |
|--|--------------|-----------------------------|---------------------|
| | <i>Notes</i> | <i>MOP'000</i> | <i>MOP'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 21,929 | 37,141 |
| Investment properties | | 99,292 | 110,210 |
| Investment in an insurance contract | | 2,823 | 2,744 |
| Other non-current asset | | 812 | 812 |
| Intangible asset | | 1,803 | – |
| Goodwill | | 20,681 | – |
| Deferred tax assets | | 3,374 | 1,072 |
| | | 150,714 | 151,979 |
| Current assets | | | |
| Contract assets | | 100,602 | 67,378 |
| Trade and other receivables | 9 | 578,159 | 389,925 |
| Prepayments | | 246,398 | 439,643 |
| Financial assets at fair value through profit or loss | | 33 | 30 |
| Pledged deposits | | 126,100 | 119,352 |
| Cash and bank balances | | 54,898 | 96,662 |
| | | 1,106,190 | 1,112,990 |
| Current liabilities | | | |
| Trade and other payables | 10 | 79,496 | 86,384 |
| Bank loans and overdrafts | | 445,091 | 499,273 |
| Lease liabilities | | 7,014 | 7,604 |
| Amount due to a director | | 37,060 | 4,453 |
| Tax payable | | 47,775 | 41,415 |
| | | 616,436 | 639,129 |
| Net current assets | | 489,754 | 473,861 |
| Total assets less current liabilities | | 640,468 | 625,840 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2022**(Expressed in Macau Pataca)*

| | 31 December 2022 MOP'000 | 31 December 2021 MOP'000 |
|---|---|--------------------------------|
| Non-current liabilities | | |
| Lease liabilities | 6,790 | 16,042 |
| Bank loans and overdrafts | 2,994 | – |
| Deferred tax liabilities | 1,745 | 2,965 |
| | <u>11,529</u> | <u>19,007</u> |
| NET ASSETS | <u>628,939</u> | <u>606,833</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 8,302 | 8,302 |
| Reserves | 620,735 | 598,623 |
| Equity attributable to owners of the Company | 629,037 | 606,925 |
| Non-controlling interests | (98) | (92) |
| TOTAL EQUITY | <u>628,939</u> | <u>606,833</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 fitting-out works.

The Company was incorporated in the Cayman Islands on 24 April 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Suite 1905–07, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Its parent and ultimate parent is Space Investment (BVI) Limited, incorporated in the British Virgin Islands. Its ultimate controlling parties are Mr. Che Chan U, Ms. Lei Soi Kun and Mr. Cheng Chi Heng.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

In the current year, the Group has applied, for its first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2022:

| | |
|-----------------------|---|
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKFRS 3 | Reference to Conceptual Framework |
| Amendments to HKAS 16 | Property, plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 cycle |

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 ² |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ³ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ² |
| Amendments to HKAS 8 | Definition of Accounting Estimates ² |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ² |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

(i) Disaggregation of revenue

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

| | Fitting-out works MOP'000 | Financial services MOP'000 | Total MOP'000 |
|---|--|---|--------------------------|
| For the year ended 31 December 2022 | | | |
| Revenue from contract with customers within the scope of HKFRS 15 | | | |
| Revenue from fitting-out works contracts | 434,911 | – | 434,911 |
| Fees and commission income from licensed activities | – | 20,110 | 20,110 |
| Fees from business consultancy services | – | 21,939 | 21,939 |
| | <u>434,911</u> | <u>42,049</u> | <u>476,960</u> |
| Revenue from other source | | | |
| Interest income from margin financing | – | 168 | 168 |
| Total | <u><u>434,911</u></u> | <u><u>42,217</u></u> | <u><u>477,128</u></u> |
| | <i>Fitting-out works MOP'000</i> | <i>Financial services MOP'000</i> | <i>Total MOP'000</i> |
| For the year ended 31 December 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 licensed activities | – | 38,037 | 38,037 |
| | <u>483,925</u> | <u>38,037</u> | <u>521,962</u> |
| Revenue from other source | | | |
| Interest income from margin financing | – | 1,316 | 1,316 |
| Total | <u><u>483,925</u></u> | <u><u>39,353</u></u> | <u><u>523,278</u></u> |

Disaggregation of revenue by timing of recognition:

| | Fitting-out works MOP'000 | Financial services MOP'000 | Total MOP'000 |
|-------------------------------------|--|---|--------------------------|
| For the year ended 31 December 2022 | | | |
| At a point in time | – | 29,175 | 29,175 |
| Over time | 434,911 | 12,874 | 447,785 |
| | 434,911 | 42,049 | 476,960 |
| | Fitting-out works MOP'000 | Financial services MOP'000 | Total MOP'000 |
| For the year ended 31 December 2021 | | | |
| At a point in time | – | 35,462 | 35,462 |
| Over time | 483,925 | 2,575 | 486,500 |
| | 483,925 | 38,037 | 521,962 |

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 (2021: from 1 to 24 months).

(b) Segment information

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM"), for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Fitting-out works: this segment is involved in the execution of fitting-out works, including procurement of materials, site supervision, management of subcontractors, overall project management, interior decorative and modification works for existing buildings.
- Financial services: this segment is involved in the provision of securities brokerage services, underwriting services, margin financing and money lending and securities and asset management advisory services ("licensed activities") and business consultancy services to the clients.

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

(i) **Segment results**

Information regarding the performance of the Group's reportable segments for the years ended 31 December 2022 and 2021 is set out below.

Year ended 31 December 2022

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

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 |

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

| | 2022 MOP'000 | 2021 MOP'000 |
|--|-------------------------|-------------------------|
| Total segment profit | 118,341 | 134,725 |
| Other income and gains, net | 1,889 | 2,598 |
| Finance costs | (18,538) | (16,615) |
| Unallocated head office and corporate expenses | (77,934) | (59,423) |
| Profit before taxation | 23,758 | 61,285 |

(iii) *Geographical information*

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

| | Revenues from external customers | | Specified non-current assets | |
|---------------------------|-------------------------------------|-----------------|---------------------------------|-----------------|
| | 2022 MOP'000 | 2021 MOP'000 | 2022 MOP'000 | 2021 MOP'000 |
| Macau (place of domicile) | <u>199,495</u> | <u>111,022</u> | <u>99,369</u> | <u>110,402</u> |
| Hong Kong | <u>277,633</u> | <u>412,256</u> | <u>32,028</u> | <u>15,645</u> |
| Mainland China | <u>–</u> | <u>–</u> | <u>12,308</u> | <u>22,116</u> |
| | <u>277,633</u> | <u>412,256</u> | <u>44,336</u> | <u>37,761</u> |
| | <u>477,128</u> | <u>523,278</u> | <u>143,705</u> | <u>148,163</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:

| | 2022 MOP'000 | 2021 MOP'000 |
|-------------------------|-----------------|-----------------|
| Customer A (note (i)) | <u>175,930</u> | <u>–</u> |
| Customer B (note (ii)) | <u>156,971</u> | <u>175,195</u> |
| Customer C (note (iii)) | <u>59,740</u> | <u>197,708</u> |
| Customer D (note (ii)) | <u>40,644</u> | <u>–</u> |
| Customer E (note (i)) | <u>–</u> | <u>68,443</u> |

Notes:

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

4 OTHER INCOME AND GAINS, NET

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|---|------------------------|------------------------|
| Interest income | 446 | 548 |
| Government subsidies (<i>note (i)</i>) | 1,458 | 1,487 |
| Others | (49) | (32) |
| | <hr/> | <hr/> |
| Total other income | 1,855 | 2,003 |
| | <hr/> | <hr/> |
| Net increase in cash surrender value of an investment in an insurance contract | 79 | 78 |
| Net exchange (losses)/gains | (48) | 515 |
| Fair value change on investment | 3 | 2 |
| | <hr/> | <hr/> |
| Total other (losses)/gains | 34 | 595 |
| | <hr/> | <hr/> |
| Total other income and gains, net | <u>1,889</u> | <u>2,598</u> |

Note:

- (i) Both the Macau government and the Hong Kong government have launched the Employment Support Scheme under the Anti-epidemic Fund to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. During the year ended 31 December 2022, the Company received government subsidies of a total of MOP1,458,000 (2021: MOP1,487,000). There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

5 PROFIT BEFORE TAXATION

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

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|--|------------------------|------------------------|
| (a) Staff costs (including director's emoluments) | | |
| Contributions to defined contribution retirement plans | 550 | 308 |
| Salaries, wages and other benefits | 28,492 | 27,398 |
| | <hr/> | <hr/> |
| | 29,042 | 27,706 |
| | <hr/> | <hr/> |
| Less: Staff costs included in cost of revenue | (10,449) | (4,556) |
| | <hr/> | <hr/> |
| Staff costs included in administrative and other expenses | <u>18,593</u> | <u>23,150</u> |
| | <hr/> | <hr/> |
| (b) Other items | | |
| Cost of construction, excluding staff costs | 347,635 | 383,214 |
| Depreciation | 12,111 | 7,695 |
| Auditors' remuneration | 1,442 | 1,200 |
| Impairment losses of trade and other receivables and contracts assets | 16,471 | 8,526 |
| Loss on disposal of property, plant and equipment | 505 | – |
| Loss on early termination of leases | 163 | 593 |
| | <hr/> | <hr/> |

6 FINANCE COSTS

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|-----------------------------|------------------------|------------------------|
| Interests on: | | |
| – Bank loans and overdrafts | 17,635 | 15,887 |
| – Lease liabilities | 903 | 728 |
| | <u>18,538</u> | <u>16,615</u> |

7 INCOME TAX

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|---|------------------------|------------------------|
| Current tax – Macau Complementary Tax | | |
| Provision for the year | 6,209 | 7,579 |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 203 | 2,813 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(3,142)</u> | <u>(791)</u> |
| | <u>3,270</u> | <u>9,601</u> |

8 EARNINGS PER SHARE

(a) Basic earnings per share

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

Earnings

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|---|------------------------|------------------------|
| Profit for the year attributable to owners of the Company | <u>21,485</u> | <u>51,825</u> |

Weighted average number of ordinary shares

| | 2022 '000 | 2021 '000 |
|--|----------------|----------------|
| Weighted average number of ordinary shares as at 31 December | <u>806,000</u> | <u>792,641</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> | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|--------------------------|--------------|-------------------------------|------------------------|
| Trade receivables | | | |
| – Third parties | (i) | 571,587 | 377,145 |
| – A related party | (ii) | – | 2,567 |
| Less: loss allowance | | (25,073) | (11,116) |
| Trade receivables, net | | 546,514 | 368,596 |
| Deposits | | 1,770 | 1,785 |
| Other receivables, net | | 29,875 | 19,544 |
| | | 578,159 | 389,925 |

Note:

- (i) As at 31 December 2022, included in the trade receivables is an amount of approximately MOP2,108,000 (2021: MOP58,000) in respect of gross amount of receivables from the cleaning house and finance services client. The amounts are arising from the ordinary course of business of securities dealing and brokerage services and the settlement terms are two days after the trade date.
- (ii) The related party is a company owned by Mr. Che Chan U, the director of the Group. The amount was trade-related, unsecured, interest-free, and due within 45 days from the date of invoices. The amount was fully settled during the year ended 31 December 2022.

Ageing analysis

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

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Within 1 month | 20,040 | 29,654 |
| 1 to 3 months | 72,026 | 64,741 |
| 3 to 6 months | 136,904 | 88,157 |
| 6 to 12 months | 173,791 | 117,212 |
| Over 1 year but less than 2 years | 155,902 | 78,531 |
| Over 2 years but less than 3 years | 12,924 | 1,417 |
| | 571,587 | 379,712 |

10 TRADE AND OTHER PAYABLES

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|-----------------------------|------------------------|------------------------|
| Trade payables | 39,138 | 19,916 |
| Retention payables | 9,606 | 13,978 |
| Contract liabilities | – | 13,390 |
| Other payables and accruals | 30,752 | 39,100 |
| | <u>79,496</u> | <u>86,384</u> |

As at 31 December 2022, included in trade payable are an amount of MOP11,139,000 (2021: MOP8,621,000) relating to trade payables to client and an amount of MOP862,000 (2021: MOP28,000) relating to trade payables to clearing house. The settlement terms of trade payable attribute to dealing in securities are two days after trade date. No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of this business.

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

| | 2022 <i>MOP'000</i> | 2021 <i>MOP'000</i> |
|----------------|------------------------|------------------------|
| Within 1 month | 2,095 | 469 |
| 1 to 3 months | 5,312 | 184 |
| 3 to 6 months | 1,370 | 502 |
| Over 6 months | 18,360 | 10,112 |
| | <u>27,137</u> | <u>11,267</u> |

11 DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2022 was the most volatile year in terms of macroeconomic environment. The Russia-Ukraine conflict, the potential for “delinking”, the European energy crisis and rising inflation led to a severe recession in the global economy. The repeated outbreaks of COVID-19 affected most industries in China and other countries while the downturn in the domestic real estate cycle and weakening domestic real estate investment exerted a further drag on the economy. China’s economic growth fell short of expectation throughout the year. The Group’s results in 2022 were dragged down by the market. For the year ended 31 December 2022, the Group’s revenue amounted to approximately MOP477,128,000, representing a decline of approximately 8.8% from last year’s revenue (2021: MOP523,278,000) and the Group’s gross profit for the year ended 31 December 2022 amounted to approximately MOP118,341,000, representing a decrease of approximately 12.2% from last year (2021: MOP134,725,000). 2022 was indeed a tough year for the Group as a whole. Despite the regression in results, the Group managed to outperform its peers with a concerted effort.

In respect of renovation works, due to the impact of COVID-19, enterprises may reduce the number of employees and lower the income of staff. Under such circumstances, the demand for the Group’s hotel and property renovation works in Macau and Hong Kong was released with a lag, coupled with the rapid resumption of a large number of projects after the COVID-19 has subsided, staff, materials and equipment may not be available in time, resulting in a delay in the progress of the Group’s renovation works, resulting in the Group’s overall results being dragged down by the renovation portion during the reporting period.

Focusing on the financial services segment, there were 90 new listings in Hong Kong in 2022, raising HK\$104.57 billion. The decrease of 8 new listings in 2022 compared to 98 in 2021 was mainly due to the sluggish IPO market in Hong Kong. According to a Deloitte report, for the year ended 31 December 2022, the HKEx ranked fourth among the world’s top five stock exchanges in terms of IPO capital raised, with the Shanghai Stock Exchange, Shenzhen Stock Exchange and Korea Stock Exchange being the top three. Despite the daunting macro challenges, the Group has continued its growth in the financial services sector, mainly as a result of the acquisition of a financial institution with a Type 6 license issued by the SFC to conduct regulated activities for HKD37.5 million. The Group’s financial advisory services contributed an additional MOP21,939,000 to the overall financial advisory services in 2022, by providing advice on corporate finance, qualifying as a listing sponsor, compliance advisor, independent financial advisor to corporations or providing services on acquisitions and disposals, equity and debt financing and corporate restructuring. The Group continued to achieve impressive results in financial services during the reporting period. With the tireless efforts of all staff, the Group achieved adjusted revenue of MOP42,217,000 for the reporting period, an increase of 7.3% over last year’s revenue (2021: MOP39,353,000), making it the surprise of the market.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group's revenue was approximately MOP477.1 million (2021: approximately MOP523.3 million). For the year ended 31 December 2022, the Group recorded profit for the year of approximately MOP20.5 million (2021: approximately MOP51.7 million). During the year ended 31 December 2022, the Group completed 6 fitting-out projects, and was awarded 4 fitting-out projects.

Revenue

For the year ended 31 December 2022, revenue of the Group amounted to approximately MOP477.1 million, representing a decrease of approximately 8.8% from approximately MOP523.3 million in 2021.

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

The revenue from fitting-out works decreased from approximately MOP483.9 million for the year ended 31 December 2021 to approximately MOP434.9 million for the year ended 31 December 2022. Such decrease was mainly attributable to decrease in contract sum of construction contracts being awarded.

The revenue from financial services amounted to approximately MOP42.2 million for the year ended 31 December 2022 (2021: approximately: MOP39.4 million). As at 31 December 2022, the client assets (including cash and stocks) of the licensed institutions were approximately MOP1,519.3 million (2021: approximately MOP2,680.7 million).

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 12.2% to approximately MOP118.3 million in 2022 from approximately MOP134.7 million in 2021, while the Group's gross profit margin was approximately 24.8% in 2022 as compared to a gross profit margin of 25.7% in 2021. The decrease in gross profit margin was mainly due to the decrease in gross profit margin from fitting-out works and financial services.

Other Income and Gains, net

We had other income and gains, net of approximately MOP1.9 million and MOP2.6 million in 2022 and 2021 respectively. The decrease in other income and gains, net in 2022 was mainly due to the exchange loss of approximately MOP0.5 million for the year ended 31 December 2022.

Administrative and Other Expenses

The Group's administrative expenses and other expenses decreased to approximately MOP50.5 million in 2022 from approximately MOP50.9 million in 2021. The decrease by approximately 0.7%. The Group has maintained a stable administrative and other expenses for both year ended 31 December 2021 and 31 December 2022.

Finance Costs

The Group's finance costs increased to approximately MOP18.5 million in 2022 from approximately MOP16.6 million in 2021. The increase of approximately 11.6% was mainly due to the increase in interest rate in 2022.

Income Tax

The Group's income tax decreased to approximately MOP3.3 million in 2022 from approximately MOP9.6 million in 2021. The decrease of approximately 65.9% was mainly due to the decrease of profit before taxation in 2022.

Profit for the Year

Profit for the year decreased by approximately 60.4% to approximately MOP20.5 million in 2022 from approximately MOP51.7 million in 2021, 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 2022 was approximately MOP21.1 million, while the total comprehensive income in 2021 was approximately MOP51.6 million, representing a decrease of approximately 59.1%. It was mainly due to the decrease of profit for the year as mentioned above.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2022, the Group had an aggregate of pledged deposits, bank deposit, and cash and bank balances of approximately MOP181.0 million (2021: approximately MOP216.0 million), representing an decrease of approximately 16.2% as compared to that as at 31 December 2021. As at 31 December 2022, bank deposits of approximately MOP126.1 million (2021: approximately MOP119.4 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 2022, the Group had bank loans and overdraft and other borrowings of approximately MOP448.1 million (2021: approximately MOP499.3 million) will be repayable within one year or on demand.

As at 31 December 2022, bank loans and overdraft and other borrowings of approximately MOP448.1 million (2021: approximately MOP499.3 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 2022, the assets pledged to secure certain banking facilities granted to the Group amounted to approximately MOP227.0 million (2021: approximately MOP232.3 million).

Gearing Ratio

As at 31 December 2022, the gearing ratio (calculated by total debts divided by total equity; total debts include bank loans and overdrafts and other borrowings) decreased to approximately 0.712 (2021: approximately 0.820) mainly due to the decrease of bank loans and overdrafts and other borrowings.

Treasury Policies

The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Group is holding sufficient credit limit to support its operating activities and business development plan. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Currency Risk

The Group has no significant exposure to foreign currency risk as substantial Group's transactions are denominated in Macau Pataca and Hong Kong dollar, which is pegged to Macau Pataca.

Capital Structure

Authorised share capital

As at 31 December 2022, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 shares (the "Shares") of HK\$0.01 each.

Capital Commitments

As at 31 December 2022, the Group had no capital commitments (2021: Nil).

Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities of approximately MOP13.0 million (2021: approximately MOP13.0 million). There is no change during the year of 31 December 2022.

Material Acquisitions and Disposals

On 21 February 2022, the Group acquired an 100% interest in Advent Corporate Finance Limited. Advent Corporate Finance Limited is principally engaged in carrying out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 78 employees (as at 31 December 2021: 80). Total staff costs (including Directors' emoluments) were approximately MOP29.0 million for the year ended 31 December 2022, as compared with approximately MOP27.7 million for the year ended 31 December 2021. 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

There was no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects from 1 January 2023 to the date of this announcement.

DIVIDEND AND DIVIDEND POLICY

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2022.

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

In 2023, with the COVID-19 under control, China has also adopted a “double cycle” to establish a major domestic cycle while interacting with the international cycle to promote the coordinated development of domestic and external demand as well as imported and external investment. In the renovation business, the management believes that the economies of Macau, Hong Kong and the Mainland will emerge from their difficulties and that more renovation projects will be started in Macau and Hong Kong. The Group is confident that the renovation business will back to a steady revenue growth in the coming year. In the financial services sector, the Group continues to focus on the development of the financial services segment with the aim of becoming a leading financial institution in the Greater Bay Area. With the global liberalisation of customs clearance, more domestic and foreign capital has been attracted to invest in Hong Kong. The Group has been able to capitalise on the opportunities presented by the liberalisation by implementing a number of business expansion plans and executing strategic plans to provide a full range of one-stop integrated financial services to corporate clients, leveraging on the Group’s full range of SFC-issued Classes 1, 4, 6 and 9 financial licences.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 23 June 2023 (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 23 June 2023 (Friday), the register of members of the Company will be closed from 19 June 2023 (Monday) to 23 June 2023 (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 16 June 2023 (Friday).

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 2022 and up to 31 December 2022 (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 2022 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. Li Guohui, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun (all are independent non-executive Directors). Mr. Li Guohui currently serves as the chairman of the Audit Committee. Pursuant to the meeting of the Audit Committee, the Audit Committee reviewed, among other things, the audited financial statements for the year ended 31 December 2022 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 2022 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 2022 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 2022 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 2022 will be despatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 22 March 2023

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