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

(Incorporated in the Cayman Islands with limited liability)

HKEX Stock Code：2448

2022
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Lok Wai Tak (appointed on 16 May 2022)
Mr. Ho Kwong Yu

Independent Non-executive Directors

Mr. Li Guohui (appointed on 8 August 2022)
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun
Mr. Fan Chun Wah, Andrew
(resigned on 8 August 2022)

AUDIT COMMITTEE

Mr. Li Guohui *(Chairman)*
(appointed on 8 August 2022)
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

REMUNERATION COMMITTEE

Mr. Eulógio dos Remédios, José António *(Chairman)*
Ms. Leong Iat Lun
Mr. Lok Wai Tak (appointed on 16 May 2022)
Mr. Ho Kwong Yu

NOMINATION COMMITTEE

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun
Mr. Li Guohui (appointed on 8 August 2022)
Mr. Fan Chun Wah, Andrew
(resigned on 8 August 2022)

AUTHORIZED REPRESENTATIVES

Mr. Che Chan U
Mr. Ho Kwong Yu

COMPANY SECRETARY

Ms. Chan Hiu Wa

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Edificio Centro Comercial Chong Fok
8C, Avenida de Marciano Baptista 18
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1905–07, Tower 6, The Gateway
9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Macau Chinese Bank
Bank of China Macau Branch

LEGAL ADVISER

As to Hong Kong Laws
D.S. Cheung & Co.

STOCK CODE

2448 (listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

spacegroup.com.mo

On behalf of the Board of Directors, I am pleased to announce the results of Space Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

In 2022, the Group was proactive in overcoming the challenges brought about by the economic downturn and the recurrence of the COVID-19, the potential for "delinking", the energy crisis in Europe and the surge in inflation, which led to a severe recession in the global economy, coupled with the downturn in the domestic real estate cycle and the weakening of domestic real estate investment, which exerted a greater drag on the economy. We are grateful to the Group's management and staff for their concerted efforts in pulling through despite the setback in performance and outperforming the industry.

In the short span of a few years since its listing, the Group has experienced many ups and downs in the global economy, but the Group has remained steadfast in its belief in never giving up and its perseverance in moving forward, and has been bold and far-sighted in developing new businesses and expanding its business footprint in the face of adversity.

Under the impact of the COVID-19, there is a possibility that enterprises may reduce the number of employees and lower the income of employees. Under such circumstances, the demand for the Group's hotel and property renovation projects in Macau and Hong Kong was released with a delay. For the year ended 31 December 2022, revenue from renovation works decreased to approximately MOP434.9 million, representing a decrease of approximately 10.1% compared to last year, resulting in the Group's overall results being dragged down by the renovation portion during the reporting period.

In the financial services segment, despite the difficult macro challenges, the Group continued to push ahead and maintained its growth in the financial services sector. The growth was mainly due to the Group's acquisition of financial institutions with a Type 6 licence issued by the SFC to conduct regulated activities for MOP31.9 million, The Group is qualified to advise on corporate finance, act as a listing sponsor, compliance advisor, independent financial advisor to corporations or provide services such as acquisition and disposal, equity and debt financing and corporate restructuring, contributing an additional revenue of approximately MOP13.0 million to the overall financial advisory services in 2022. The Group achieved 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% compared to last year's revenue (2021: MOP39,353,000), making it the odd man out against the market.

2023 is a critical year for the Group in continuing to promote and implement the "14th Five-Year Plan". With the full relaxation of China's COVID-19 prevention and control policies as well as the implementation of a policy package to stabilize the economy, the Group will further improve its organizational structure and team, return to its original entrepreneurial spirit, initiate a new round of rapid development, consolidate its business layout in different regions, and accelerate its business expansion so that it can once again resume rapid development, achieve new breakthroughs and scale new heights. 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.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my deepest gratitude to our shareholders, customers, suppliers and business partners for their continued support and trust in the Group.

I would also like to express my sincere gratitude to the Directors and all the staff of the Group for their tireless efforts in upholding the Group's resilience and dedication to excellence during this difficult and challenging period. The Group will continue to focus on the development of its businesses and generate solid returns for our shareholders.

Space Group Holdings Limited
Chairman
Che Chan U

Hong Kong, 22 March 2023

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. For further details, please refer to the announcement of the Company dated 21 February 2022.

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 report, 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 report.

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 (2021: nil).

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 adopted and 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").

DIRECTORS' SECURITIES TRANSACTIONS

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.

BOARD OF DIRECTORS

Composition

The Board comprises seven Directors and their respective role are as follows:

Executive Directors

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Lok Wai Tak
Mr. Ho Kwong Yu

Independent Non-executive Directors

Mr. Li Guohui
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed therein, there is no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial shareholder or controlling shareholder of the Company.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio among executive Directors and independent non-executive Directors is reasonable and appropriate. The Board also believes that the participation of independent non-executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all Shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the "Audit Committee"), a remuneration committee (the "Remuneration Committee") and a nomination committee (the "Nomination Committee") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the paragraph headed "Board Committees" of this annual report.

Independence of Independent Non-executive Directors

Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All independent non-executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all independent non-executive Directors have satisfied their independence of the Group.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities. During the Relevant Period, no claim was made against the Directors, officers and senior management of the Company.

Board Meetings' and Director's Attendance Records

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

The company secretary of the Company (the "Company Secretary") assists the Chairman to prepare the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' notice is given for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and meetings of the Board committees are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members are given a copy of the minutes for their record. Should a matter being considered involves a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and abstain from voting. The matter would be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses. The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

During the Relevant Period, the attendance of the individual Directors at the meetings is set out below:

		Number of meetings attended/eligible to attend during the relevant period			
	Notes	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Che Chan U		6/6	–/–	–/–	3/3
Ms. Lei Soi Kun		6/6	–/–	–/–	3/3
Mr. Lok Wai Tak	1	3/3	–/–	1/1	–/–
Mr. Ho Kwong Yu		6/6	–/–	3/3	–/–
Independent Non-executive Directors					
Mr. Fan Chun Wah, Andrew	2	4/4	3/3	–/–	2/2
Mr. Li Guohui	3	1/1	1/1	–/–	–/–
Mr. Eulógio dos Remédios, José António		6/6	4/4	3/3	3/3
Ms. Leong Iat Lun		6/6	4/4	3/3	3/3

Notes:

1. Mr. Lok Wai Tak was appointed as executive Director and a member of Remuneration Committee with effect from 16 May 2022.

2. Mr. Fan Chun Wah, Andrew resigned as an Independent Non-executive Director and a member of each of the Audit Committee and the Nomination Committee with effect from 8 August 2022.

3. Mr. Li Guohui was appointed as an Independent Non-executive Director and a member of each of the Audit Committee and the Nomination Committee with effect from 8 August 2022.

The chairman also held a meeting with independent non-executive Directors without presence of other Directors for the year ended 31 December 2022.

The independent non-executive Directors were appointed on 20 December 2017 and are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles of Association").

DIRECTORS' TERMS OF APPOINTMENT

All Directors are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the Articles of Association.

In accordance with the Articles of Association, Mr. Lok Wai Tak, Mr. Ho Kwong Yu, Mr. Li Guohui, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun shall retire as Directors and, being eligible, offer themselves for re-election at the annual general meeting.

DIRECTORS' TRAINING

Code Provision C.1.4 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. Each of the Director, Mr. Che Chan U, Ms. Lei Soi Kun, Mr. Lok Wai Tak, Mr. Ho Kwong Yu, Mr. Li Guohui, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun, has complied with code provision C.1.4 of the CG Code. A summary of professional training received by Directors for the year ended 31 December 2022 according to the records provided by the Directors is as follows:

	Notes	**Attending seminar(s)/ programme(s)/conference(s) and/or reading materials relevant to the business or directors' duties**
Mr. Che Chan U		✓
Ms. Lei Soi Kun		✓
Mr. Lok Wai Tak	1	✓
Mr. Ho Kwong Yu		✓
Mr. Fan Chun Wah, Andrew	2	–
Mr. Li Guohui	3	✓
Mr. Eulógio dos Remédios, José António		✓
Ms. Leong Iat Lun		✓

Notes:

1. Mr. Lok Wai Tak was appointed as a Director in May 2022.
2. Mr. Fan Chun Wah, Andrew resigned as a Director in August 2022.
3. Mr. Li Guohui was appointed as a Director in August 2022.

BOARD DIVERSITY POLICY

During the year ended 31 December 2022, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Board is committed to achieving gender diversity and other diversity perspectives, with the ultimate goal of achieving gender parity on the Board.

As at 31 December 2022, the workforce (including senior management) comprised of 48.7% female and 51.3% male. The Company is determined to and will continue to achieve and maintain gender diversity and equality in terms of the Board and the general workforce.

BOARD NOMINATION POLICY

The Nomination Committee shall consider a number of factors as a reference in assessing the suitability of a proposed candidate, including reputation for integrity, accomplishment and experience in the industry, relevant skills and experience to contribute to the Board, commitment in respect of available time and relevant interest, diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference to oversee particular aspects of the Company's affairs.

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.

During the year ended 31 December 2022, the Audit Committee held 4 meetings.

The annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee before submission to the Board for approval.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual Directors and senior management and on other employee benefit arrangements.

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Eulógio Dos Remédios, José António and Ms. Leong Iat Lun, and two executive Directors, namely Mr. Lok Wai Tak and Mr. Ho Kwong Yu. Mr. Eulógio Dos Remédios, José António currently serves as the chairman of the Remuneration Committee. Pursuant to the meeting of the Remuneration Committee on 22 March 2023, the Remuneration Committee has assessed the performance of the Directors and senior management of the Company, and reviewed and recommended to the Board the remuneration policy and structure relating to the Directors and senior management of the Company. No Director nor any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2022, the Remuneration Committee held 3 meetings. The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the year ended 31 December 2022 are set out in note 9 to the consolidated financial statements.

The remuneration of members of the senior management (excluding Directors) by band for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of person(s)
Nil to HK$500,000	2
HK$500,001 to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	Nil

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointments of our Directors, to assess the independence of the independent non-executive Directors, to take up references and to consider related matters.

The Nomination Committee consists of three independent non-executive Directors, namely Mr. Li Guohui, Mr. Eulógio Dos Remédios, José António and Ms. Leong Iat Lun, and two executive Directors, namely Mr. Che Chan U and Ms. Lei Soi Kun. Mr. Che Chan U currently serves as the chairman of the Nomination Committee.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Further, pursuant to the terms of reference of the Nomination Committee, the Nomination Committee, when reviewing the composition of the Board, will have regard to the diversity of the Board, which includes gender, age, cultural and educational background, length of service, skills, knowledge and professional experience of the Board. The Company recognises and embraces the benefits of diversity of Board members.

During the year ended 31 December 2022, the Nomination Committee held 3 meetings.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code, namely: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

The Board held 6 meetings during the Relevant Period, at which the Board reviewed the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

The Board acknowledges its responsibility in maintaining a sound and effective internal control and risk management systems for the Group to safeguard Shareholders' investments and assets of the Company at all times.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Che Chan U is the chairman of the Board. The Company has not appointed any chief executive officer since its inception. Given the current size and structure of the Company, the Board considers that such appointment is not required as the existing structure has a well-balanced of authorities, responsibilities and accountability among the members of the Board (which comprises experienced and high caliber individuals who meet regularly to discuss issues and affairs affecting the operations of the Company) and the senior management of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for the establishment, maintenance and review of the Group's system of internal controls and risk management throughout the year ended 31 December 2022 and their effectiveness. The Board, through the Audit Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually by the Audit Committee, and the significant risk issues, if any, are referred to the Board with management responses and recommendations for consideration. The Company has engaged an external independent professional advisory firm (the "Independent Advisor") to review the effectiveness and adequacy of risk management and internal control systems in 2022 so as to ensure the effectiveness and adequacy of risk management and internal controls system. The Independent Advisor had reviewed and analysed all material controls of the Group, including financial, operational and compliance controls and their associated risks. The relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board.

The Board considered the risk management and internal control systems of the Group to be adequate and effective for the year ended 31 December 2022. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 31 December 2022. For the year ended 31 December 2022, the Board have complied with the code provisions on risk management and internal control as set out in the CG Code.

The Board wishes to emphasise that risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has established a whistleblowing policy. Whistleblowing channels are published in all workplace. The policy is to facilitate employees, partners and customers to report complaints and internal malpractices to the finance department of the Company, who will review, investigate and follow up these complaints. Once cases are verified, investigation results will be announced within the Company as warnings.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "SFO") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclosed to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2022 and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 62 to 68 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, services provided to the Company by its external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), and the respective fees paid were:

	2022 MOP'000
Audit services	1,442

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. Subject to provisions of the applicable laws in the Cayman Islands and Listing Rules, the Articles require that an annual general meeting ("AGM") of the Company to be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may at any time put forward their enquiries (including the procedures for putting forward proposals at general meetings of the Company) to the Board in writing through the Company Secretary whose contact details are as follows:

Space Group Holdings Limited
Suite 1905–07, Tower 6, The Gateway
9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Tel No.: (852) 2513 1181
Fax No.: (852) 2153 1013

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Pursuant to article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board established a Shareholders' communication policy to ensure that Shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.spacegroup.com.mo through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

The AGM also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman and other members of the Board are present at the AGM to answer questions raised by the Shareholders. The annual report together with AGM circular is distributed to Shareholders at least 20 clear business days before the AGM.

The Company has reviewed the Shareholders' communication policy conducted for the year ended 31 December 2022 and considered that the Shareholders' communication policy has been well implemented and effective.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum of association on 20 December 2017 and amended and restated articles of association on 16 January 2018. There was no change in the constitutional documents of the Company during the Relevant Period and up to the date of this report.

Environmental, Social and Governance Report

This is the Environmental, Social and Governance Report (the "ESG Report") of Space Group Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

SCOPE AND REPORTING PERIOD

This is the Environmental, Social, and Governance ("ESG") report of Space Group Holding Limited (the "Company", and collectively with its subsidiaries referred as the "Group" or "we"), which lays out the principles and concept of sustainable development to which we adhere while performing our corporate social responsibilities, summarises the relationship of the Group with the stakeholders, and states our vision and mission for the social responsibilities.

The Group undertake fitting-out projects primarily in the private sector, including hotel and casinos, restaurants and retail shops, and other properties in Hong Kong, Macau and Singapore. The Group also established the finance servicing arm, which holds Type 1, 4, & 9 licenses issued by the Securities & Futures Commissions of Hong Kong conducting financial services such as securities trading, investment advice and asset management. This report covers the fitting-out business and finance service business, as well as their operational locations, which include Hong Kong, Macau, Guangdong, Zhuhai, and Shanxi from 1 January 2022 to 31 December 2022, unless otherwise stated.

REPORTING PRINCIPLES

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules of the Stock Exchange (the "Guide"). The contents covered herein are in compliance with the provision of "Comply or Explain" as well as four reporting principles of materiality, quantitativeness, balance and consistency required in the Guide.

Materiality – Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitativeness – Key performance indicators ("KPI"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance – The Report presents the Group's performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency – Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

REPORTING LANGUAGE

The Report is published in both English and Traditional Chinese versions. In case of discrepancies the English version shall prevail.

STAKEHOLDERS' FEEDBACK

Your opinions about the Report are highly valued by the Group. If you have any enquiries or advice, please contact us by e-mail space@spacegroup.com.

THE STATEMENT OF THE BOARD OF DIRECTORS

The Group recognizes the importance of the Board's leadership and involvement in implementing sustainable development strategies. Therefore, the Board is responsible for overseeing and leading ESG-related matters, as well as seizing opportunities and addressing risks related to sustainable development. The Board regularly decides on and monitors ESG policies and strategies, including setting ESG-related goals, reviewing progress towards those goals, evaluating materiality, and setting priorities.

THE GROUP'S FUTURE DEVELOPMENT AND COMMITMENTS

The Group recognizes the correlation between business activities and ESG issues in various aspects. We intends to transform the traditional business into a sustainable one in the long run. We plans to take a top-down approach to promote the significance of sustainability and will consider suggestions from different stakeholders that can improve the Group's sustainability. To monitor progress, we will conduct an annual review and engage professional parties to evaluate the Group's sustainability.

ESG governance is a top priority for the Group and we aim to work collaboratively with employees, investors, shareholders, customers, suppliers, governments, and community groups to achieve mutual benefits and contribute to social progress, economic growth, and environmental governance. We are committed to promoting sustainable business practices and fulfilling corporate social responsibilities to capture industry development opportunities and create value for stakeholders. Moving forward, the Group will continue to proactively assume corporate social responsibilities for achieving sustainable development. We will actively comply with relevant government policies and requirements, support society-wide low-carbon development, and participate in society-wide actions for energy conservation and emission reduction.

SUSTAINABILITY GOVERNANCE

The Group's operations are built upon a foundation of strong corporate governance. We believe that establishing and implementing sound ESG principles and practices will increase the investment value of our enterprise and provide long-term returns to our stakeholders. The Board is responsible for overseeing sustainability issues related to the Group's operations and strategy. By setting a strategic direction, the Board establishes a clear vision and strategy to guide ESG measures and systems that reflect the Group's core values. The Board will utilize the following methods to identify, manage, and review material ESG issues:

Identify: The Board will collaborate with essential stakeholders such as major customers, major suppliers, management team, and employees to recognize significant ESG issues and risks associated with the Group's business operations. The Board recognizes that open communication with stakeholders is essential for ensuring business sustainability.

Assess: Apart from assessing the performance of the Group’s ESG measures through discussion with the Group’s stakeholders, the Board will engage a third party to identify and assess our performance in respect of environmental protection and climate change.

Review: The Board will review the progress made against ESG-related goals to guide the Group to achieve better ESG performance. Through the Group’s ESG Policy, a set of systematic risk management practices have been put in place to ensure financial and operational functions, compliance control systems, material control, asset management and risk management all operate effectively.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

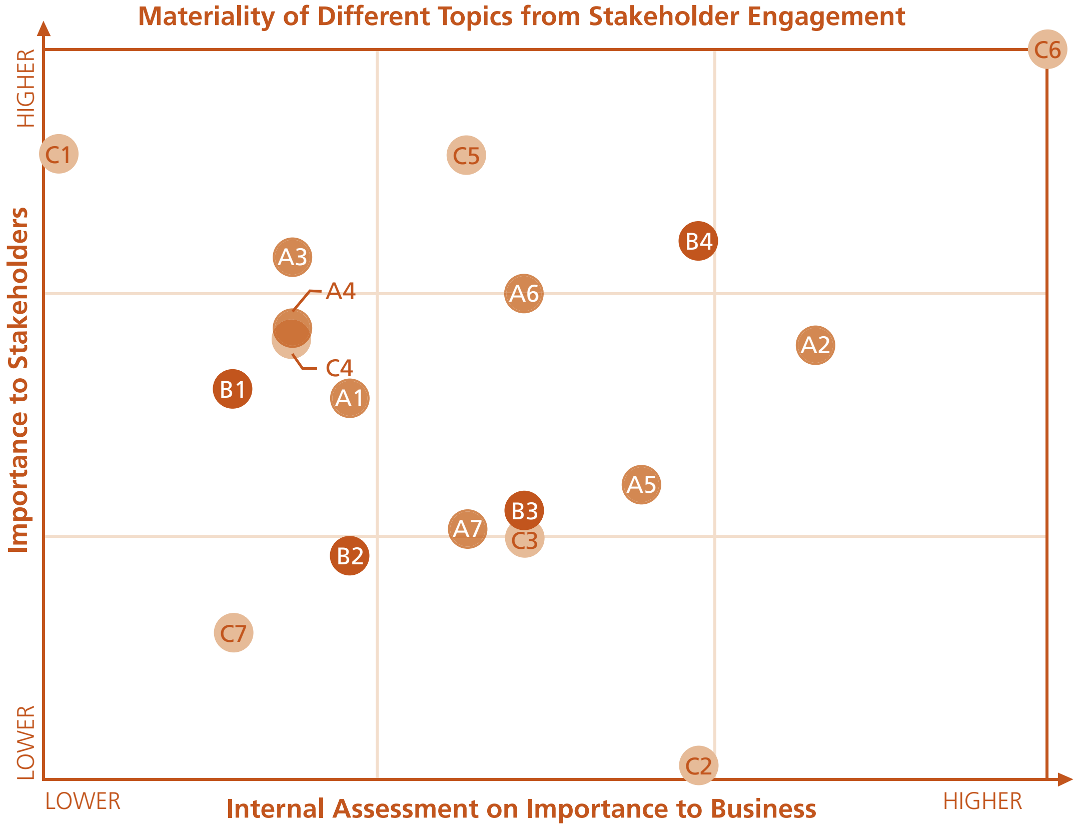
In order to effectively promote our sustainable development and bring positive impact to the long-term development of the environment and community, we continuously communicate and exchange opinions with our internal and external stakeholders (including shareholders/investors, staff, customers, business partners, suppliers, regulatory authorities and community/non-governmental organisations) to understand their views and expectations. We also incorporate the opinions of various stakeholders as far as possible when assessing and determining ESG risks and formulating relevant risk management and business strategies. Through the following communication channels, we hear their advice and feedback on the sustainable development of the Group, so as to improve our operations and practices accordingly.

Stakeholders	Possible Issue of Concern	Communication Channels
Government/regulatory authorities	• Compliance with policies and regulations • Operational compliance	• Routine reporting and disclosure • Announcements • Press releases
Customers	• Product responsibility • Service level	• Company website • Phone and email communication • Communication with staff • Customer comment cards
Suppliers	• Supplier management • Customer service	• Supplier assessment
Employees	• Rights and benefits • Remuneration and compensation • Career development and training • Working hours • Working environment	• Employee training • Employee communication meetings • Performance reviews • Employee handbook
Shareholders and Investors	• Corporate governance system • Business strategies and performance • Corporate transparency and reputation	• Annual/Extraordinary general meetings • Annual reports and announcements • Company website and email
Community	• Community environment • Employment and community development • Social welfare	• Community activities • Employee voluntary activities • Community welfare subsidies • Charitable donations

Through ongoing dialogues and stakeholder engagement exercise throughout the Reporting Period, the Group has received feedback and suggestions from stakeholders that are invaluable to its sustainable development journey.

During the Reporting Period, the Group has specifically engaged its board of directors, senior management, shareholders, suppliers, frontline employees, clients, and third-party professionals to gain further insights on ESG aspects they find material and relevant challenges that they may induce. A materiality assessment has then been produced according to the engagement as follows.

Materiality of Different Topics from Stakeholder Engagement



Environmental

1 Energy
2 Water
3 Air Emission
4 Waste and Effluent
5 Other Raw Materials Consumption
6 Environmental Protection Measures
7 Climate Change

Labour Practices

8 Employment
9 Occupational Health and Safety
10 Development and Training
11 Labour Standards

Operational Practices

12 Supply Chain Management
13 Intellectual Property
14 Data Protection
15 Customer Service
16 Product/Service Quality
17 Anti-corruption
18 Community Investment

According to the assessment, the five most material topics to the Group are therefore,

1. Anti-corruption

2. Labour standards

3. Water

4. Environmental Protection Measures

5. Other Raw Materials Consumption

The Group aims to keep close communication with its stakeholders for the identified aspects and continues to improve its ESG performance. The Group also hopes to have better management on ESG-related risks for future business development. In alignment with the Group's vision on sustainability, the business will continue to operate with high ethical standards and provide sustainable returns to stakeholders.

A. ENVIRONMENTAL

A1. Emissions

The Group attaches great importance to environmental protection, and strictly abides by related laws and regulations. While developing our business, the Group thoroughly implement the concept of energy conservation and environmental protection through adopting a variety of measures, and continue to pursue clean, efficient and green development. We have formulated internal policies, aiming to save energy, water, paper and other resources, reduce greenhouse gas ("GHG") emissions and air pollutants from vehicles, as well as promote and support environmental policies including mitigation of climate change, while raising employees' awareness toward environmental protection. We will review and examine the implementation progress of various environmental protection measures, monitor each emission source, identify more opportunities for energy conservation and emission reduction, and establish relevant policies to effectively ensure that resources are used properly, aiming to reduce the environmental footprint.

The Group's fitting-out projects have minimal impacts on the environment and natural resources. Our carbon footprints mainly come from the use of electricity, the use of water, the use of materials and waste generated. The finance service business is conducted within an office setting and has a negligible impact on the environment. We have carried out environmental protection measures in relation to energy management, water resource management and waste reduction, so as to minimise the impact on the environment and natural resources. During the Reporting Period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations that had a significant impact on the Group.

A1.1 Air Emissions

The office did not generate direct air emissions. Fitting-out works carried out by sub-contractors may generate some indoor air pollutants, and the liability shall be borne by the sub-contractors. Meanwhile, the Group has deployed project managers at the site to supervise sub-contractors' work.

Passenger cars consuming petrol were used for daily business operations. Their combustion generated several air emissions including nitrogen oxides (NO_x), sulphur oxides (SO_x), and respiratory suspended particles (PM). The Group has generated a total amount of 0.05 kg SO_x , 17.18 kg NO_x and 1.27 kg PM during the Reporting Period.

A1.2 Greenhouse Gas (GHG) Emissions

Emissions from the Group were generated directly from the consumption of mobile fuel petrol, and indirectly from the consumption of purchased electricity, land filling of waste papers, and business air travel.

There were 89.88 tonnes CO_2, with an intensity of 0.19 tonne per one million Hong Kong Dollar revenue (/HK$'m revenue) of carbon dioxide equivalent (tCO_2e) GHG emitted from the Group's operation during the Reporting Period.

The reported GHG emissions were attributed to the following activities:

- Direct emission (scope 1): combustion of petrol for the Group-owned vehicles;
- Indirect emission (scope 2): purchased electricity;
- Other indirect emission (scope 3): business air travel and paper waste disposal.

Scope of GHG emissions	Emission sources	GHG Emission (in tCO_2e)	Sub-total (in tCO_2e)	Total GHG emission (in percentage)
Scope 1 Direct emission[1]	Combustion of gasoline in mobile sources	8.75	8.75	10%
Scope 2 Energy indirect emission[2]	Purchased electricity	75.91	75.91	84%
Scope 3 Other indirect emission	Paper waste disposed at landfills	3.87	5.22	6%
	Business air travel by employees[3]	1.35		
Total (in tCO_2e)			89.88	100%
Intensity (tonne CO_2e/ HK$'m revenue)			0.19	

Notes:

1 Emission factors were referred to Appendix 27 of the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

2 Emission factor of 0.581 tCO_2e/kWh was used for purchased electricity from the Grid of PRC.

3 Emissions were calculated using the online tool provided by the International Civil Aviation Organization.

A1.3 Hazardous Waste

The business operations of the Group did not involve generation of any significant hazardous waste. Hence, no such information is presented in this report.

A1.4 Non-hazardous Waste

The Group follows waste management principles and aims to manage and dispose of waste generated by our business activities in a proper manner. Our waste management practices comply with relevant environmental protection laws and regulations. The non-hazardous waste generated by the Group's operations primarily consists of paper and toner cartridges. During the Reporting Period, the Group has utilised and disposed 806 tonnes of paper and 5 pieces of toner cartridge.

A1.5 Measures to Mitigate Emissions

The Group's operations generally resulted in insignificant emissions. The main source of emission was electricity used for daily operations, as well as petrol used by vehicles, details of which has presented in section A2. In the Reporting Period, the Group has set annual targets for air emissions, which were mainly focused on reducing GHG emissions. To achieve the targets, the Group has taken the following measures:

- arranging regular inspections for each fitting-out projects to ensure that waste water, noise, and air emissions are compliant with regulations and do not pose any health risks to employees;
- encouraging employees to take public and shared transportation;
- encouraging employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences, and use public transportation to reduce the use of private cars;
- designating personnel to turn off lighting and ensure the reasonable use of air conditioning; and
- conducting monthly electricity statistics to analyse electricity efficiency and usage distribution to monitor the Group's electricity consumption in the long term.

Through these measures, the Group aims to achieve a 10% reduction in overall emissions intensity in 10 years.

A1.6 Waste Reduction and Initiatives

The Group regularly monitor paper, toner cartridge, and ink cartridge consumption and have implemented measures to reduce waste. The Group provides facilities and encourages employees to sort and recycle waste to achieve waste mitigation, reuse, and recycling objectives. We place a high standard on waste reduction and educate employees on the significance of sustainable development, providing relevant support to enhance their skills and knowledge.

In addition to recycling, the office has implemented programs and activities to encourage waste reduction, such as promoting green information and electronic communication to implement a paperless system, placing "Green Message" reminders on equipment, using double-sided printing and recycled paper, and only using single-sided printing for official or confidential documents when necessary. The Group does not produce any hazardous waste in its business activities.

A2. Use of Resources

The Group recognizes that the building materials used directly impact the quality of the building and surrounding environment, and has implemented several environmental procurement measures. We prioritize the purchase of environmentally-friendly indoor and outdoor building materials that provide a comfortable environment while saving natural resources. We also prioritize the selection of locally-sourced materials and consider recycling to reduce carbon emissions and construction waste generated from transportation.

The Group's energy consumption, electricity consumption, and water consumption are relatively low, and we have established policies and procedures for environmental management, including energy management. Electricity and petrol consumption account for a significant portion of our carbon emissions.

A2.1 Energy Consumption

Direct/Indirect Energy Sources	Consumption (in Litre)	Consumption (in kWh)
Electricity	N/A	130,657.2
Petrol	3,290.4	29,284.56
Total		159,941.76

The Group's business operations resulted in total energy consumption of 159,941.76 kWh from the use of electricity and petrol, recording a 14% drop from the last Reporting Period. The Group's energy intensity was 335.3 kWh/HK$'m revenue.

A2.2 Water Consumption

Up to the year ending on 31 December 2022, the Group haven't consumed any water in out fitting-our business because the related construction site has been completed. As our office building are all managed by building management company, we do not have any water utilization record. However, the amount of water we used for office operation is insignificant.

A2.3 Energy Use Efficiency Initiatives

We advocate the principles of green energy conservation and making good use of resources, and are committed to optimizing the use of resources throughout our business. We formulate relevant energy-saving policies and measures to reflect our emphasis on energy efficiency. Power consumption of the Group is primarily generated from the lighting, air conditioning and other equipment in the Group's offices and day-to-day operations. For electronic devices, we use products with high energy efficiency certification and power-saving modes, such as computers and printers that can automatically enter the standby or sleep mode when idling. We also procure electronic devices that are able to accommodate multiple servers, such as printing facilities with multi-functional printing and copying devices, and avoid using a single server with higher capacity to save electricity. During the Reporting Period, the Group has set annual targets to reduce its electricity and energy consumption during operation and shall strive to keep on improving consumption efficiency. The Group aims to achieve a 10% reduction in overall energy use intensity in 10 years.

A2.4 Water Use Efficiency Initiatives

The Group strictly abides by the rules and regulations in relation to water pollution control. Our building site's fitting-out project was where water usage was most prevalent. We create and implement a water management strategy that includes plumbing system maintenance, monitoring, and leak detection. We've been able to further reduce our water usage by teaching employees the value of water conservation.

The domestic water we use is supplied by our property buildings, and we have no problem in sourcing water that is fit for purpose. The Group has set annual targets for the use of water resources of which were mainly focused on reducing water waste and improving the use efficiency of water resources. To achieve the targets, the Group has taken the following measures:

- installing water-saving sprinklers in washing bays; and

- installing motion-sensor water tap in toilets;

A2.5 Packaging Materials

The Group's operations did not involve any regular use of packaging materials.

A3. The Environment and Natural Resources

The Group is committed to implementing environmentally-friendly practices and minimizing the impact of its business activities on the environment and natural resources. Despite not being in a pollution-intensive industry, we prioritize reducing greenhouse gas emissions, solid waste generation, and resource consumption. We comply with relevant environmental laws and regulations and integrate environmental protection into our internal management and daily operations. Our goal is to achieve environmental sustainability and promote the effective use of resources. We continuously monitor potential environmental impacts of our operations and adopt green office and construction practices to reduce waste and consumption. We prioritize green purchasing and practical technologies to protect natural resources.

Effective project management is crucial for efficient resource use, and we implement environmentally-friendly construction measures and comply with building energy conservation regulations. We prioritize waste reduction and management, with a hierarchical system of avoidance, reuse, and recycling before disposal. For construction waste, we require subcontractors to collect and classify waste centrally and transport it promptly to prevent dumping in the environment. We regularly review our environmental protection policies and take necessary precautions to comply with relevant laws and regulations.

During the 2022 fiscal year, the Group remained compliant with all environmental laws and regulations and took steps to minimize significant environmental impacts.

A3.1 Significant Impacts of Activities on the Environment

The Group has established internal policies to reduce its consumption of resources and to minimise business travel. The Group is also committed purchasing from qualified suppliers who follow national environmental rules and regulations. Indirect environmental impacts of the Group are mitigated by promoting pro-environmental behaviours among its employees. The Group will continuously monitor its air emissions and solid waste generation to minimise its impacts on the environment.

A4. Climate Change

Climate change is now one of the global issues and challenges, and the Group understands that the impact of climate change is increasing day by day. Climate change poses a huge threat to all businesses, and that of the Group's is not an exception.

Physical risk

More frequent or severe natural disasters, such as floods and heavy rainfall, which will result in delays in the delivery of our outdoor projects, and affect operational efficiency and punctuality rate, thereby affecting market sales performance.

Risk of extreme weather events, such as storms, floods, or heatwaves, which can disrupt construction timelines and damage the completed structures.

Climate change can impact the availability and cost of natural resources, such as water and energy, which are essential for the construction process.

How to mitigate physical risk

Our production team will consider climate risk as a major factor starting from the planning of all projects. Historical climate data of production location will be carefully analyzed to minimize the possibility of extreme weather. During the production process, everyday observatory prediction will be closely monitored. Furthermore, our finance team will factor in extreme weather risks during our budget planning.

Transition Risk

Fitting-out engineering contractors may also face increased costs due to new regulations and standards related to climate change mitigation and adaptation. As a result, our contractors must take steps to adapt to the changing climate conditions and implement strategies to mitigate potential risks.

Our finance service arm may also face reputational risks if our operation are perceived as not taking sufficient action to address climate change concerns.

How to mitigate climate risk

The Group has strictly followed all environmental-related rules and guidance from local and national authorities. To mitigate these risks, our finance services sectors will consider the potential impacts of climate change on our business activities and operations, and implement strategies to adapt to changing conditions and support the transition towards a low carbon economy. This includes introducing investment opportunities in sustainable and climate-resilient projects, developing and implementing climate risk management strategies, and engaging with stakeholders to promote climate action.

In the future, the Group will continue to proactively assume corporate social responsibilities for responding to climate change, and take effective measures to cope with the challenges brought by climate change, so as to achieve its own sustainable development. The Group will actively respond to and implement relevant government policies and requirements in response to climate change, and actively engage in society-wide common actions to mitigate its negative impacts.

Our brief climate risk assessment

Climate-related Risk	Timeframe	Likelihood	Impact
Extreme weather (Acute)	Long term	Medium	Medium
Extreme weather (Chronic)	Long term	Medium	Medium
Tightening of climate-related policies	Short-term	Low	Low
Cost to transition to lower emissions technology	Short-term	Low	Low
Changing customer behaviour	Short-term	Low	Low

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

B1.1 Employment Figures

The Group regard employees as the key driving force for our sustainable growth. Adhering to the people-oriented principle, we respect and protect the legitimate rights and interests of every employee, regulates employment management, protects employees' occupational health and safety, and creates a working environment of health, safety and inclusiveness, so as to consolidate the close and long-term cooperation between our employees and us.

The Group also complies strictly with the relevant laws and regulations to ensure employees' interests are protected. In addition, we have formulated a staff handbook to facilitate the building of talent teams and strive to create an equal, inclusive, healthy and safe working environment. Our staff handbook mandates human resource management policies, including equal employment, attendance management, remuneration and benefits, recruitment and promotion, training and development, health and safety, performance assessment, code of conduct, etc., so as to keep employees aware of the Group's management basis and their own interests. The Group did not note any cases of material non-compliance in relation to employment during the Reporting Period.

As of 31 December 2022, the Group had a total of 78 employees in offices of different locations. See below for the detail breakdown of the workforce.

Total Workforce as of 31 December	2022
By Employment Type	
Full-time	100.00%
Part-time	0.00%
By Gender	
Female	48.7%
Male	51.3%
By Employee Category	
Senior Management	14.1%
Middle Management	19.2%
Frontline and Other Employees	66.7%
By Age Group	
18–25	6.4%
26–35	44.9%
36–45	33.3%
46–55	7.7%
56 or above	7.7%
By Geographical Location	
Mainland China	29.5%
Hong Kong	35.9%
Macau	34.6%

B1.2 Turnover Figures

A total of 88 employees left the Group during the Reporting Period, which gave a turnover rate of 112.8%. The Group regularly reviews salary remuneration and benefits to retain talents and stay attractive and competitive in the market. See below for the detail breakdown of turnover rate by employee group.

Turnover Rate as of 31 December	2022
By Employment Type	
Full-time	112.8%
Part-time	0.00%
By Gender	
Female	139.4%
Male	87.5%
By Employee Category	
Senior Management	18.2%
Middle Management	86.7%
Frontline and Other Employees	140.4%
By Age Group	
18–25	440%
26–35	85.7%
36–45	53.8%
46–55	316.7%
56 or above	50%
By Geographical Location	
Mainland China	82.6%
Hong Kong	189.3%
Macau	59.3%

B1.3 Employee Recruitment, Compensation and Benefits

The Group complies strictly with all applicable laws and regulations in relation to recruitments, pursuant to which the Group is to select, recruit and promote its employees at all levels in a fair, just and open manner based on their knowledge, integrity, ability and experience in either public recruitment or internal promotion, so as to ensure meritocracy and attract the best professional elites in the industry. The recruitment process is arranged by the human resources department, with interviews arranged for the selected candidates. Qualified applicants shall provide their identity documents, academic certificates and resumes. The applicants shall pass the prescribed recruitment process, and become officially employed after signing the employment contracts. The Group ensures to carefully go over the identities and birth certificates of the qualified applicants to eliminate child labour at the source. During the Reporting Period, the Group was not aware of any instance of child labour and forced labour.

The Group highly appreciates the continued services of its employees. When an employee presents his/her resignation, the human resources department will arrange an interview with him/her to understand his/her motives and identify issues in relation to management and employee turnover rates, so as to make timely improvements and retain talents.

The remunerations of employees are determined based on their competitiveness, experience, skills and qualifications for their positions. An annual performance assessment will be carried out to evaluate each employee based on their target achievement, key competence and overall performance. Remuneration adjustments and annual performance-related bonus distribution are planned in accordance with the market conditions and operating results of the Group, so as to encourage employees to strive for greater contribution to the Group. In addition, the Group makes contributions to mandatory social insurance funds, including pension, occupational injury insurance, maternity insurance, medical insurance and unemployment insurance for employees.

The Group complies with all working hours, rest, and vacation regulations of the Chinese, Hong Kong and Macau Labor Law to ensure the physical and mental health of all employees. The Group does not force employees to work overtime. Employees may apply for overtime in advance, and overtime pay is paid after approval by the manager. Employees are entitled to public holidays recognised by PRC, as well as paid time off from the Group, which include but not limited to annual leave, marriage leave, maternity leave, sick leave, etc.

During the Reporting Period, the Group was not aware of any violation cases relating to compensation, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the operations of the Group.

B1.4 Employee Communication

Through induction training for new employees, the Group promotes a culture of belonging and career development planning to create a cohesive and competitive working environment that encourages self-development.

The Group attaches great importance to the opinions of employees. We understand that employees are our close and long-term partners. Maintaining effective and positive mutual communication can not only promote smooth operations, but also enhance mutual understanding and trust, and contribute to the stable development of the Group. The Group fully protects the two-way communication channels with its employees, these include corporate messages from the Group to employees, channels for employees to report information to the Group, opinion surveys, etc. The Group mainly releases information and key issues to employees through internal office platforms, which include but not limited to emails, announcements, and corporate micro-channels. The Group carefully reviews and considers all opinion from its employees and makes corresponding improvement to ensure their rights and interests.

B1.5 Equal Opportunity and Anti-discrimination

The Group attaches particular importance to equal employment opportunities and comply strictly with anti-discrimination laws. The Group has also formulated internal policy on equal employment opportunities, aiming to treat both employees and job applicants fairly and ensure they are not discriminated for their gender, marital status, pregnancy, age, family status, disability, ethnicity, nationality or religion. The Group treats each of its employees fairly and justly and offer equal opportunities to them in recruitment, promotion, rewards, training, etc., and promise that no discrimination will be tolerated. The Group shall consider disciplinary punishments on anyone who violates this policy. In compliance with the law, the Group organises face-to-face lectures and provides online training courses from time to time to prevent employees from being discriminated, harassed, and harmed during work.

B2. Employee Health and Safety

The Group places great importance on occupational safety and has established an occupational health and safety management system to ensure a safe working environment for office employees. We strictly follow relevant health and safety regulations in Macau, Hong Kong, and PRC. The Group is committed to providing a safe and healthy work environment for their employees and subcontractors, and regards occupational health and safety as a top priority for maintaining their reputation.

The Group has implemented a safety management system in Macau based on the OHSAS 18001 international standard. The system takes a preventive approach and focuses on crisis management and risk assessment. The Group conducts regular internal risk assessments and reviews every six months to provide information, training, and supervision for different types of work. This is done to enhance risk awareness and to be better prepared for emergencies.

The Group has also established and maintains a safety management system for our Macau operations. We properly manage any violations of the system and take remedial measures after recording and reviewing to ensure site safety and health management is properly implemented at all construction sites they manage. The Group complies with applicable laws and regulations regarding safety and health management.

COVID-19 Measures

When the coronavirus disease broke out, the Group was highly cautious of the most up-to-date situations as employees' health and safety is the Group's priority. The Group has taken lead in setting up preventive measures and arrangements for employees, some practices include:

- Strictly enforce the quarantine measures required in accordance with the requirement of the Government
- Adopting work rotation, home officing, and other distancing measures as appropriate
- Strengthening health surveillance measures, such as measuring body temperatures
- Frequent disinfection of areas with high density
- Sourcing and providing anti-virus supplies, such as surgical masks, sanitisers

The Group remained vigilant and released information promptly whenever any cases worthy of concern was identified.

B2.1 Work-related fatalities and injury

Occupational Health and Safety Data in 2022

Work related fatality	0
Work injury cases >3 days	0
Work injury cases ≤3 days	0
Lost days due to work injury	0

Occupational Health and Safety Data in 2021

Work related fatality	0

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.

B3. Development and Training

The Group continuously monitors employees' job performance in order to identify training needs. Employees are encouraged to participate in work-related and personal development trainings through on-the-job trainings and external trainings to understand market trends and increase their competence. Training provided was mostly duty-related courses or seminars delivered by both related experts in the Group or external service providers.

To promote the joint growth of the Group and its employees, the Group has invested a lot of resources in talent training. The Group has standardized and improved its employee training system to develop exclusive development paths to employees, which offers basic skills training, professional skills training, product training, and management skills training. At the same time, the Group also encourages employees to actively participate in various training courses organized by various brand manufacturers, which include but not limited to products, skills, management upgrades. During the Reporting Period, the Group has provided its employees with multiple online and offline training courses.

8 employees received 22 hours of anti-corruption training, 8 employees received 20 hours of occupational health and safety training, and 5 employees obtained 10 hours of training for a Licence Type 6 Continuous during the Reporting Period.

B4. Labour Standards

There was no child nor forced labour in the Group's operation during the Reporting Period. All original identification cards of job candidates are first checked by the Group to confirm their age is above 16 years old. In addition, the Group conducts regular checking to ensure that there is no child labour nor forced labour in its operations.

The Group also refrains from working with suppliers and subcontractors that are already known to use forced or child labor in their operations.

The Group complies with all applicable laws and rules, including the Labor Relations Law and the Convention on the Prohibition of and Immediate Action Toward the Elimination of the Worst Forms of Child Labor.

2. Operating Practices

B5. Supply Chain Management

The Group maintains an approved list of suppliers from Macau, Hong Kong, and the PRC. When selecting suppliers for a project, we evaluate them based on their scale of operation, past experience working together, ability to meet project requirements, price, and delivery time. The group regularly reviews and updates this list. The procurement department coordinates with the project manager to select a supplier from the approved list and negotiate purchase terms. Before execution, the executive directors review and approve the proposed supplier purchase order forms. The quantity surveyor examines the quantity and quality of materials ordered and the timing of delivery to ensure that they meet project schedules.

The Group's procurement department is responsible for ongoing project evaluation and annual assessment of suppliers. The evaluation results serve as the basis for supplier management. Suppliers are expected to take effective measures to improve their services if they receive unfavorable assessment results. The Group has the right to terminate cooperation with service providers who violate the rules or fail to meet targets. The Group maintains close communication with its suppliers to monitor their performance and ensure that they meet their service commitments.

The Group attaches great importance to the environmental and social risks within its supply chain and sub-contractors. The Group regularly reviews the updates of policies and laws related to the supply chain, and communicates with internal and external stakeholders to understand and identify potential environmental and social risks within its supply chain. In view of this, under the Group’s sub-contractor supervision mechanism, the Group also requires sub-contractors to meet compliant standards in their environmental and social performance.

B6. Product Responsibility

The Group places a high priority on the quality and safety of its services. We have established quality and safety inspection policies for different projects, and we communicate with our customers to confirm project expectations and directions before initiating any project. The Group actively coordinates projects with our customers during the service provision process. We continuously improve our customer service and complaint handling mechanisms to protect the rights and interests of consumers and provide comfortable services.

The Group has also established a system for selecting and managing subcontractors. This includes maintaining a list of approved subcontractors and regularly inspecting the quality and progress of work performed by project managers. Subcontractors must comply with relevant laws and regulations related to site safety and illegal labor. They are required to adopt all safety, building, and structural measures and procedures specified in the group's safety management plan.

The Group places great emphasis on property construction quality control, including the purchase of building materials, external and interior decoration, and machinery used on construction projects. We ensure compliance with our quality standards and relevant legislation and regulations through project monitoring. Maintenance technicians should carry out detailed inspections on the automobiles according to the requirements of each brand, including computer diagnosis, and regularly maintain the automobiles before delivery.

B6.1 Intellectual Property Rights

The Group attaches great importance to the protection of intellectual property rights, and complies with the relevant laws and regulations. In order to effectively carry out the works relating to the management and protection of intellectual property rights, the Group has established internal control procedures, which systematically manages work involving intellectual property rights:

- The Group's application, maintenance and transfer of intellectual property rights will be handled in an appropriate manner;

- When the Group's intellectual property rights are infringed by third parties or may be subject to other infringement disputes, the Group will preserve relevant evidence in a timely manner and take measures to protect our intellectual property rights as soon as possible; and

- The Group is not only serious about the protection of intellectual property rights relating to its own business, but also respects the copyright protection efforts of other products. Genuine software has been installed and used on all of the Group's terminal equipment, and installation and use of unauthorised software on its terminal equipment is strictly prohibited. Additionally, the software and database used in our information system must be authenticated and are allowed to be used for commercial purposes.

During the Reporting Period, there had been no cases that violate intellectual property rights.

B6.2 Quality Assurance

The Group's corporate motto is "Customer for Life", and it is central to its corporate culture. The Group strives to deliver optimal services in its daily operations. Thus, the Group attaches great importance to customers' opinions and treats providing customer support as an opportunity to improve its relationship with the customer, and aims to address customer's concern in a timely manner.

The Group has established a number of communication channels aiming to collect customer feedback in a more efficient manner, which include daily operation/communication, telephone, WeChat and e-mail.

A comprehensive mechanism for handling customer complaint was established to manage the collection, transmission, and handling of customer complaints as well as return visits. Upon receiving relevant complaint, such complaints will be reported to relevant departments and suppliers in a timely manner, where they shall understand the root cause of the issue, proactively seek solutions, and formulate relevant measures to prevent similar situations from reoccurring. If the Group receives a material complaint, a special handling team will be set up in order to jointly formulate a handling plan, while ensuring the comprehensiveness, rationality and compliance of the plan as much as possible, and also strengthening communication with customers and strive to properly solve the related problems. The Group's customer relations managers will maintain close communication with its customers. In addition, the Group provides employees with training to improve their efficiency and capacity in handling customer complaints.

During the Reporting Period, our engineering work in the fitting-out construction site has been completed, we don't have any complaints record from our clients.

B6.3 Confidential Information

The Group pays close attention to risk management relating to its information technology systems as storage and protection of customer data and other related information is critical. The Group has adopted a set of security safeguard measures to protect the data it has accumulated and stored, including, but not limited to, encryption technology for data transmission and storage, conducting data classification management and applying strict user data access and usage management policies.

Under such mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. The Group's staffs are expected to undertake periodical training on data protection. The Group also has a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. Furthermore, the Group has designated personnel to be responsible for inspecting and reporting any suspicious data deriving and transmitting activities, as well as enhancing its data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, such personnel has been designated to take charge of reviewing, discussing and improving technologies in managing information security and internal control system to ensure adequate protection is given to the Group's database.

The Group complies with all applicable laws regarding confidential information and data protection of the PRC. During the Reporting Period, the Group received no complaints or litigations relating to data protection and privacy protection.

B7. Anti-corruption

The Group regards knowledge and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy, standardised and transparent business environment. In order to ensure the compliance of the Group's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the compiled articles in due course. During the Reporting Period, the Group was not aware of any material incompliance with relevant laws and regulations.

In additions, the Group attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

In order to enhance the anti-corruption awareness and level of employees, during the Reporting Period, the 8 employees of the Group received 22 hours of anti-corruption training. Topics of anti-corruption training included anti-corruption laws and cases, roles of directors and employees in combating corruption, job embezzlement, fraud, and misappropriation of funds, etc.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Group) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Group in the form of writing such as mails or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department.

During the Reporting Period, the Group did not have any lawsuits related to, nor violated relevant laws and regulations that have a significant impact on the operations of the Group.

B8. Community Investment

Through various means of community participation and contribution, the Group is committed to spreading the spirit of service in the community and building a sustainable and inclusive society. While actively developing its business, the Group never forgets to support various community engagements in order to give back to the society. The Group has always provided long-term and stable job opportunities to the society, maintained good employment relationships, provided employment opportunities for the society, increased local taxation, and improved the local automobile sales brand, thus promoting local economic development, and achieving self-development and a win-win situation with the local community.

In the future, the Group will continue to proactively cooperate with charitable organizations and participate in various community investment and charitable activities. The Group will continue to devote more resources to the education and social needs of society and environmental protection areas and take up corporate social responsibility to contribute to the creation of a harmonious and healthy society.

BOARD OF DIRECTORS

Executive Directors

Mr. Che Chan U (謝鎮宇), aged 41, was appointed as our Director on 24 April 2017 and was re-designated as chairman and executive Director of the Group on 20 December 2017. Mr. Che is responsible for the Group's overall management, strategic planning and business development. He is also the Chairman of the nomination committee. As the founder of the Group, Mr. Che has extensive experience in fitting out industry. Mr. Che is also the director of Companhia Space Grupo Limitada ("Space Group"), Space Construction & Engineering Co., Ltd. (恆宇建築工程有限公司) ("Space Construction"), Space Oriental Construction & Engineering Co., Ltd. (恆宇東方建築工程有限公司) ("Space Oriental") and Minsang Oriental Limited (敏生東方有限公司) ("Minsang Oriental").

Mr. Che graduated in June 2004 from the National Taiwan University with the degree of Bachelor of Science in Engineering. In June 2015, he became a member of the IPlantE Professional Sector, a professional sector of the Society of Operations Engineers. He was registered as a Chartered Building Engineer and was elected a member of the Chartered Association of Building Engineers on 31 March 2017. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of the Macao Special Administrative Region since 2006. He is the son of Ms. Lei.

Ms. Lei Soi Kun (李瑞娟), aged 64, is our executive Director. Ms. Lei was appointed as our Director on 24 April 2017 and redesignated as executive Director on 20 December 2017. She is responsible for the overall management of the Group's administrative matters. She is also a member of the nomination committee.

Ms. Lei has over 20 years of experience in fitting-out industry. From 1976 to 1990, she was an administrative clerk at Macau Fuhe Construction Property Co., Ltd (澳門福和建築置業有限公司). She was a real estate agent and assisted her clients with renovation works from 1990 to 1993. Prior to joining the Group in 2009, Ms. Lei has been the director of Bo Ngai Engineering Co., Ltd, a company which carried out fitting-out business in Macau. Ms. Lei then joined the Group as a director in 2010 and has been handling the Group's administrative matters. She is the mother of Mr. Che.

Mr. Lok Wai Tak (陸惠德), aged 68, was appointed as our Director on 16 May 2022. He is currently a director of Space Financial Holdings Limited ("Space Financial"), and is also appointed as the managing director of Space Financial in the People's Republic of China. He joined the Group since 15 October 2020 and is mainly responsible for management of capital investment business of the Group. He has been engaged in properties and finance industries for 47 years with connections in the local financial and property sectors. He is a member of the Election Committee of the Chief Executive of the Macau Special Administrative Region, a member of the Election Committee of the Thirteenth National People's Congress of Macau, a member of Standing Committee of the Shanxi Provincial Committee of the Chinese People's Political Consultative Conference, the president of the Macau Real Estate Association* (澳門地產發展商會), the president of Macau-Shanxi Economic and Trade Association* (澳門山西經貿聯誼促進會), vice president of the Shanxi Provincial China Overseas Friendship Association* (山西省海外聯誼會), consultant of Shanxi Provincial Federation of Returned Overseas Chinese* (山西省僑聯), the chairman of The International Real Estate Federation – China Macau Chapter* (世界不動產聯盟中國澳門分會), vice president of Macau Chinese People's Political Consultative Conference (Provincial) Members Association* (澳區省級政協委員聯誼會), director of Macau Basic Law Promotion Association* (澳門基本法推廣協會), supervisor of the Chinese General Chamber of Commerce of Macau* (澳門中華總商會) and director of Macao Region China Council for the Promotion of Peaceful National Reunification.

Mr. Ho Kwong Yu (何光宇), aged 37, is our executive Director and the managing director of Space Financial Holdings Limited. Mr. Ho joined our Group on 7 April 2017 as company secretary and chief financial officer and was appointed as our director on 29 July 2020. He is mainly responsible for the Group's business development and overall management of financial matters. He is also a member of the remuneration committee.

Mr. Ho obtained his Bachelor of Business Administration (Major in Professional Accountancy) from the Chinese University of Hong Kong in 2008. He is also a member of The Hong Kong Institute of Certified Public Accountants.

From January 2008 to February 2015, Mr. Ho worked at Deloitte Touche Tohmatsu and his last position held was manager in the audit department. From February 2015 to May 2015, Mr. Ho was an internal audit manager at Cosco Shipping International (Hong Kong) Co., Ltd. (formerly named as Cosco International Limited) (Stock Code: 517) and was responsible for conducting internal audit. His last position prior to joining the Group was chief financial officer and company secretary of Creative China Holdings Limited (Stock Code: 8368) where he was responsible for accounting, financial management and company secretarial matters. Mr. Ho has been appointed as an independent non-executive director of Most Kwai Chung Limited (Stock Code: 1716) since March 2018 and Sino Golf Holdings Limited (Stock Code: 361) since November 2018.

* For identification purposes only

Independent Non-executive Directors

Mr. Li Guohui (李國輝), aged 52, was appointed as an independent non-executive Director on 8 August 2022. He joined China Aircraft Leasing Group Holdings Limited (a company listed on the Stock Exchange, stock code: 1848) and currently serves as the Chief Strategy Officer and Co-Chief Financial Officer. From July 2019 to December 2022, he served as an executive director and joint chief financial officer of Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange, stock code: 0881). From August 2013 to July 2019, Mr. Li was the vice president, chief financial officer and executive director of China Resources Pharmaceutical Group Limited (a company listed on the Stock Exchange, stock code: 3320), a non-executive director of Dong-E E-Jiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000423) and China Resources Double Crane Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600062) and a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000999). From September 2009 to August 2013, he was the accounting director of the finance department of China Resources (Holdings) Company Limited. From April 2006 to September 2009, he was a senior analyst of IMC Development Management Company Limited in Hong Kong. From October 2005 to April 2006, he was a M&A investment analyst in IMC Fanya, Singapore. He has also served as an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (a company listed on the Stock Exchange, stock code: 1066) since June 2022. Mr. Li obtained a bachelor's degree in naval architecture and marine engineering from Wuhan University of Technology, a master's degree in business administration from Wuhan University, a master's degree in financial management from Nanyang Technological University in Singapore and obtained professional qualifications as a Chartered Financial Analyst (CFA) qualified by the CFA Institute of Chartered Financial Analyst and a Certified Public Accountant (CPA) qualified by the Singapore Institute of Chartered Accountants.

Mr. Eulógio dos Remédios, José António (李秉鴻), aged 45, was appointed as an independent non-executive Director on 20 December 2017 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the remuneration committee and a member of the audit and nomination committees. Mr. Eulógio dos Remédios obtained a Diploma in public relations from the Instituto Politécnico de Macau in 2002. He later obtained a Bachelor's degree in Law from the University of Macau in 2007. In July 2011, Mr. Eulógio dos Remédios became a lawyer under the Associação dos Advogados de Macau.

Mr. Eulógio dos Remédios has over 10 years of experience in law. He was a trainee-lawyer at Jorge Neto Valente Lawyers and Notaries from October 2007 to April 2010 and is a lawyer at the same law firm from July 2011 to present. From August 2012 to June 2013, Mr. Eulógio dos Remédios was also a part-time lecturer at the University of Macau.

Ms. Leong Iat Lun (梁逸鸞), aged 48, was appointed as an independent non-executive Director on 20 December 2017 and is responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. She is also a member of the audit, remuneration and nomination committees. Ms. Leong obtained a Bachelor's degree in Clinical Medicine from Shantou University Medical College, China, in June 2000. In April 2007, Ms. Leong obtained her Master of Laws from the Macau University of Science and Technology. In 2012, Ms. Leong obtained a Master's degree in Applicable Psychology from the South China Normal University in Guangdong. Ms. Leong obtained her Master's degree in Surgery from Jinan University, China, in June 2014. Ms. Leong holds a medical license issued by the Macau Health Bureau since 2002 and a medical license issued by the People's Republic of China since 2004. In 2009, she obtained a Diploma of General Surgery issued by the People's Republic of China.

Ms. Leong has more than 17 years of experience in medicine. She joined Kiang Wu Hospital Charitable Association from December 2000 to January 2009 with her last position as an Attending Doctor in the Surgical Department. From May 2007 to November 2007, she completed training at the Breast Disease Centre of Kwong Wah Hospital in Hong Kong. Ms. Leong is also currently a clinical instructor and an associate doctor specializing in breast surgery at the Macau University of Science and Technology Foundation.

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management as at the date of this annual report:

Name	Age	Position	Roles and Responsibilities	Date of joining the Group
Mr. Cheong Chio Kit (張潮杰)	37	Managing Director – Capital Investment	management of capital investment business of the Group	15 October 2020
Ms. Chan Hiu Wa (陳曉華)	29	Company Secretary	the company secretarial matters of the Group	24 June 2021
Mr. Ho King To (何景滔)	42	Deputy Chief Financial Officer	finance and accounting matters	10 August 2013
Mr. Leong Tang Fu (梁燈富)	35	Senior Project Manager	management of the Group's fitting-out and construction projects	1 November 2014

Our senior management is responsible for the day-to-day management of our business.

Mr. Cheong Chio Kit (張潮杰), aged 37, is currently the managing director of Space Capital Limited. He joined us on 15 October 2020 and is mainly responsible for management of capital investment business of the Group. Mr. Cheong holds a master's degree in business administration from the European University.

Mr. Cheong had previously invested in and/or held middle to senior management positions at various Macau-based companies engaging in different industries including building construction and decoration and investment, where he has accumulated over 12 years of experience in investment and corporate management.

Ms. Chan Hiu Wa (陳曉華), aged 29, graduated from the City University of Hong Kong with a bachelor's degree of business administration in accounting. She is a member of Hong Kong Institute of Certified Public Accountants. Ms. Chan has over 5 years of experience in auditing and accounting. Prior to joining the Group, she worked at an international accounting firm in Hong Kong.

Mr. Ho King To (何景滔), aged 42, is the deputy chief financial officer. He joined us on 10 August 2013 and is mainly responsible for finance and accounting matters. Mr. Ho has over 8 years of clerical experience and accounting experience.

Mr. Ho obtained his Advanced Diploma in Accounting from the University of Hong Kong School of Professional and Continuing Education in October 2012. He obtained his Bachelor of Accounting from the University of Canberra through a part-time program co-organized with the Hong Kong Baptist University School of Continuing Education in September 2016.

Mr. Leong Tang Fu (梁燈富), aged 35, is the senior project manager. He joined us on 1 November 2014 and is mainly responsible for management of the Group's fitting-out and construction projects. Mr. Leong obtained his bachelor's degree of Civil Engineering and Environment from the National University of Kaohsiung in 2012.

Mr. Leong has over 10 years' experience as an engineer in the engineering industry. From November 2012 to October 2014, he was employed at Ming Shun Construction and Property Investment Ltd with his last position as engineer. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of Macau. Mr. Leong is also a registered construction safety supervisor in Macau.

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 69 of this annual report.

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

BUSINESS REVIEW

A fair review of the business of the Group during the year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 10 of this annual report.

The above discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

Various risks and uncertainties that the Group may face: (i) the Group's contracts are awarded through tendering or quotation processes and not recurring in nature and its future business depends on our continual success in project tenders or quotations; (ii) the Group's performance is dependent on market conditions and trends in the fitting-out industry and building construction industry in Macau which may change adversely; and (iii) the Group depends on its subcontractors to complete a substantial part of the works of its projects and bear the risks associated with fluctuations in subcontracting fees, substandard performance and stability of their operations. In view of the risks associated with financial instruments, the objectives and policies of Group are set out in note 27 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

In relation to human resources, the Group provides and maintains statutory benefits for its staff, including but not limited to entitlement to mandatory provident fund, basic medical insurance, work injury insurance, etc. staff is entitled to day-off on public holidays and maternity leave.

At the corporate level, the Group complies with the requirements under the Listing Rules and the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code set out in Appendix 10 to the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and subcontractors and suppliers.

Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's major customers included hotel and casino gaming operators and main contractors in Macau. The Group provides professional and quality services in fitting-out business whilst maintaining long term profitability, business and asset growth.

Subcontractors and Suppliers

The Group firmly believes that its subcontractors and suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. The Group proactively communicates with its subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require the Group to engage subcontractors and suppliers nominated by them, the Group will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, the Group will supply them with our internal guidelines on safety and environmental issues and require them to follow. The Group effectively implements the subcontractor assessment process by conducting regular site visit, evaluation on the performance of contract and other measures, to ensure the performance of our subcontractors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that its business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established safety, quality and environmental management systems. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. We believe that our certifications to ISO 9001 and ISO 14001 enhance our public image and credibility and also help us to improve our customers' confidence in our services. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report".

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 73.

As at 31 December 2022, distributable reserves of the Company amounted to approximately MOP271,169,000 (2021: MOP249,684,000).

MATERIAL INVESTMENT AND ACQUISITION

During the year ended 31 December 2022, the Group did not have other plans for material investments and capital assets.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2022 are set out in note 22 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year and details of the Group's property, plant and equipment are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements were entered into during the year ended 31 December 2022 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164 of the Articles of Association, subject to relevant laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Che Chan U *(Chairman)*
Ms. Lei Soi Kun
Mr. Lok Wai Tak (appointed on 16 May 2022)
Mr. Ho Kwong Yu

Independent Non-executive Directors

Mr. Li Guohui (appointed on 8 August 2022)
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun
Mr. Fan Chun Wah, Andrew (resigned on 8 August 2022)

In accordance with the Company's Articles of Association, any Director so appointed by the Board should hold office, in the case of filling vacancy only until the next following general meeting of the Company or in the case of an addition to their number, until the next following annual general meeting of the Company which shall then by eligible for re-election at such general meeting. One-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. Mr. Lok Wai Tak, Mr. Ho Kwong Yu, Mr. Li Guohui, Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun will retire at the forthcoming AGM and will offer themselves for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

Mr. Che Chan U and Ms. Lei Soi Kun has entered into a service contract with the Company for a fixed term of three years commencing from 16 January 2021, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term.

Mr. Ho Kwong Yu has entered into a service contract with the Company for a fixed term of three years commencing from 29 July 2020, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term.

Mr. Lok Wai Tak has entered into a service contract with the Company for a fixed term of three years commencing from 16 May 2022, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term.

Each of Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun have been appointed as independent non-executive Directors on 20 December 2017 and are subject to retirement by rotation and re-election at AGM of the Company at least once every three years and until terminated by not less than three months' notice in writing served by either the Company or the respective independent non-executive Director. Mr. Li Guohui has entered into a service agreement with the Company for a fixed term of three years commencing from 8 August 2022.

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this annual report, the interests and short positions of each Director and CEO in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

The Company

Name of Director	Capacity	Number of Shares held/ interested(1)	Approximate percentage of the total issued Shares
Che Chan U ("Mr. Che")	Interest held jointly with another person; interest in a controlled corporation(2); and beneficial owner(3)	502,800,000 Shares (L)	62.38%
Lei Soi Kun ("Ms. Lei")	Interest held jointly with another person; interest in a controlled corporation(2)	501,200,000 Shares (L)	62.18%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

(2) The Company was held as to approximately 62.18% (501,200,000 Shares) by Space Investment (BVI) Ltd ("Space Investment"). Space Investment is held as to 94.74% by Mr. Che and 5.26% by Ms. Lei.

(3) Mr. Che beneficially owns 1,600,000 Shares on the Company.

Associated corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares held/ interested[1]	Approximate percentage of the total issued Shares
Mr. Che	Space Investment	Beneficial owner	9,474 shares (L)	94.74%
Ms. Lei	Space Investment	Beneficial owner	526 shares (L)	5.26%

Note:

(1) The letter "L" denotes the Directors' long position in the Shares.

Save as disclosed above, as at the date of this annual report, none of the Directors and CEO had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

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 below) 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 and eligible employees.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares to eligible participants as the Board may determine (the "Eligible Participants"), which include the following persons: (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and (iii) service providers of the Company or any of its subsidiaries.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 76,000,000 Shares (representing approximately 9.43% of the number of shares in issue as at the date of this report), being 10% of the shares in issue of the Company as at the date on which the shares of the Company first listed on the Stock Exchange on 16 January 2018.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK$1 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall not be less that 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 shall be valid and effective for a period of 10 years commencing from 20 December 2017.

No share option has been granted by the Company under the Share Option Scheme since its adoption up to the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the date of this annual report, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held/ interested[(1)]	Approximate percentage of the total issued Shares
Space Investment	Beneficial owner[(2)]	501,200,000 Shares (L)	62.18%
Ng Lai Kuan ("Ms. Ng")	Interest of spouse[(3)]	502,800,000 Shares (L)	62.38%
Cheng Chi Heng	Beneficial owner	40,300,000 Shares (L)	5.00%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

(2) Space Investment is directly interested in 62.18% in the Company.

(3) Ms. Ng is the spouse of Mr. Che. Ms. Ng is deemed to be interested in the same number of Shares in which Mr. Che is interested by virtue of the SFO.

Save as disclosed above, as at the date of this annual report, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" and the related party transactions as disclosed in note 28 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the business of the Group to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

RELATED PARTY TRANSACTIONS

Significant related party transactions made during the year ended 31 December 2022 were disclosed in note 28 to the consolidated financial statements.

COMPETING INTEREST

There were no competing business of which any Directors or their respective close associates had a material interest, whether directly or indirectly, subsisted as at 31 December 2022 or at any time during the year ended 31 December 2022.

DEED OF NON-COMPETITION

Each of Mr. Che, Ms. Lei and Space Investment (each a "Non-Compete Covenantor") has entered into a deed of non-competition ("Deed of Non-competition") dated 22 December 2017 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received the annual confirmation of the Non-Compete Covenantors in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended 31 December 2022. The independent non-executive Directors also reviewed the Non-Compete Covenantors' compliance with the non-competition undertakings.

The independent non-executive Directors confirmed that the Non-Compete Covenantors were not in breach of the non-competition undertakings during 31 December 2022.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of market trends and the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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.

USE OF PROCEEDS FROM PLACING

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 of the Company (the "Placing"), the total number of issued shares was increased from 760,000,000 shares to 806,000,000 shares.

The net proceeds from the Placing (after deducting the relevant expenses) are approximately HK$106.5 million. The details of the use of net proceeds are as follows:

	Budget for the year ended 31 December 2021 (HK$ million)	Actual use of net proceeds as of 31 December 2021 (HK$ million)	Unutilised proceeds as of 31 December 2021 (HK$ million)	Budget for the year ended 31 December 2022 (HK$ million)	Actual use of net proceeds as of 31 December 2022 (HK$ million)
To acquire a company providing Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance for future expansion of the Group (Note)	30.0	–	30.0	30.0	30.0
General working capital	76.5	76.5	–	–	–
Total	106.5	76.5	30.0	30.0	30.0

Note: The acquisition has been completed on 21 February 2022. Please refer to the Company's announcement dated 21 February 2022 and the paragraph headed "Management Discussion and Analysis – Material Acquisitions and Disposals" in this annual report for details.

As at 31 December 2022, all proceeds from the Placing have been fully utilised.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holding of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group had not entered into any connected transaction which is required to be disclosed under Chapter 14A of the Listing Rules.

Save for the transactions the details of which are set out in Notes 19(a) and 28(b) to the financial statements, the related party transactions disclosed in Note 28 to the financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the year ended 31 December 2022 is set out in the sections headed "Corporate Governance Report" on pages 11 to 21 of this annual report.

MAJOR CUSTOMERS AND SUBCONTRACTORS

During the year ended 31 December 2022, sales to the Group's five largest customers accounted for approximately 94.0% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for approximately 36.9%.

During the year ended 31 December 2022, subcontracting fees paid/payable to the Group's five largest subcontractors accounted for approximately 99.9% of the Group's total subcontracting fees and subcontracting fees paid/payable to the Group's largest subcontractor accounted for approximately 81.2%.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 145.

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).

CHANGE OF AUDITOR

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 7 January 2022. With the recommendation from the audit committee of the Company (the "Audit Committee"), SHINEWING (HK) CPA Limited has been appointed as the auditor of the Company with effect from 7 January 2022 to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcement of the Company dated 7 January 2022.

AUDITOR

The accompanying consolidated financial statements have been audited by SHINEWING who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint SHINEWING as the independent auditor of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

Che Chan U
Chairman

Hong Kong, 22 March 2023

SHINEWING (HK) CPA Limited
17/F, Windsor House, 311 Gloucester Road
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈17樓

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPACE GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Space Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 69 to 144, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Accounting for construction contracts

Refer to notes 2, 3 and 4 to the consolidated financial statements and the accounting policies on page 96.

The key audit matter	How the matter was addressed in our audit
The Group recognised revenue from the provision of fitting-out works of approximately MOP434,911,000 for the year ended 31 December 2022. Contract revenue is recognised progressively over time using the output method, based on direct measurements of the value of services delivered and the estimated total revenue for the contracts entered into by the Group. When the outcome of a construction contract cannot be reasonably measured, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised when work is performed, together with any provisions for expected contract losses. Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses. We identified the accounting for construction contracts as a key audit matter because of the significance of the revenue to the consolidated financial statements and the estimation of the total contract revenue, total costs to complete contracts and value of works performed by the Group is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.	We have assessed the key internal controls over the contract revenue recognition processes and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. We have assessed whether the construction revenue and cost recognised was reasonable through the inspection of the certificate of completion stage issued by the customers or confirmation received from customers and critically challenged the forecasted costs to complete, contract costs, and the completeness and validity of provisions. We have obtained a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements and certificate of completion stage issued by customers when assessing the estimated costs to completion made by the management. We have conducted site visits, on a sample basis, to discuss with site personnel on the status of the project and evaluate whether the project progress was consistent with the agreed timetable. We have assessed reliability of management's assessment in forecasted costs by considering the historical actual costs and estimation of budgeted costs of completed projects. We have also considered whether the judgements made in selecting the output method would give rise to indicators of possible management bias.

KEY AUDIT MATTERS (Continued)

Recoverability of trade receivables and contract assets

Refer to notes 2, 3, 18, 19 and 27 to the consolidated financial statements and the accounting policies on pages 85 to 88.

The key audit matter	How the matter was addressed in our audit
At 31 December 2022, the Group recognised trade receivables, net of allowance, of approximately MOP546,514,000 and contract assets of approximately MOP100,602,000, which represented 51% of total assets. The expected credit losses ("ECL") on trade receivables and contract assets are estimated by the management based on individually significant customer or the ageing of customers collectively using a provision matrix by reference to historical default rate, their creditworthiness on whether they have financial difficulties, aging analysis and forecast of future events and economic conditions which impacts the recognition of expected credit losses for trade receivables and contract assets. We identified recoverability of trade receivables and contract assets as a key audit matter in view of the significance of the carrying amount of trade receivables and contract assets and the ECL estimation performed by the management involved significant judgements and estimates.	Our audit procedures were designed to assess the management estimation on ECL of trade receivables and contract assets. We have assessed the key internal controls over the management estimates of the ECL for trade receivables and contract assets. We have tested the accuracy of the ECL adjustment made by the Group at the end of the reporting period and the information used by management to develop the provision matrix, including trade receivables ageing analysis, on a sample basis, by comparing individual items in the analysis with the relevant contracts, invoices and other supporting documents. We have challenged management's basis and judgement in determining credit loss allowance on trade receivables and contract assets at the end of the reporting period, including the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

KEY AUDIT MATTERS (Continued)

Fair value determination of the identifiable assets and liabilities

Refer to note 31 to the consolidated financial statements and the accounting policies on pages 79.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2022, the Group acquired 100% equity interests in Advent Corporate Finance Limited ("Advent") with an aggregate consideration of approximately MOP31,891,000. Such acquisition was accounted for as a business combination using the acquisition accounting and resulted in recognition of goodwill and intangible asset with indefinite useful life of approximately MOP20,681,000 and MOP1,803,000. Pursuant to HKFRS 3 Business Combinations, the Group is required to measure the fair value of identifiable asset acquired, including any identifiable intangible asset, and liabilities assumed and any non-controlling interests in the acquiree, at the date of the acquisition. Any differences between the fair value of the consideration transferred and the fair value of net identifiable assets and liabilities assumed was recognised as goodwill arising on acquisition. The fair value assessment of the identifiable assets and liabilities assumed requires significant judgements and estimates adopted in the purchase price allocation exercised by an independent valuer and the management of the Group, in particular the identification of intangible asset acquired. We have identified the fair value determination of the identifiable assets and liabilities assumed as a key audit matter because of the involvement of significant degrees of judgements and estimates made by the management of the Group when performing the purchase price allocation exercise as at the date of acquisition.	Our audit procedures were designed to review the management's assessment, and its estimations and judgements used in measurement of the identifiable assets, including any identifiable intangible asset, and liabilities assumed in the Advent, at the date of acquisition. We have discussed with the management of the Group and the independent valuer on the purchase price allocation exercise, including the identification and valuation of intangible asset. We also challenged the reasonableness of the underlying assumptions and data used in the purchase price allocation exercise, such as the forecasted sales, growth rate and discount rate used in the fair value assessment of the identifiable assets, including the intangible asset, and liabilities assumed, against the latest available information. We also challenged the reasonableness of the identification of the intangible asset arising from the acquisitions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

– Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
22 March 2023

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	4	477,128	523,278
Cost of revenue		(358,787)	(388,553)
Gross profit		118,341	134,725
Other income and gains, net	5	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		(50,546)	(50,897)
Profit from operations		42,296	77,900
Finance costs	7	(18,538)	(16,615)
Profit before taxation	6	23,758	61,285
Income tax	8	(3,270)	(9,601)
Profit for the year		20,488	51,684
Attributable to:			
Owners of the Company		21,485	51,825
Non-controlling interests		(997)	(141)
Profit for the year		20,488	51,684
Earnings per share – Basic and diluted	11	MOP0.03	MOP0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in Macau Pataca)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Macau Pataca)

	Notes	2022 MOP'000	2021 MOP'000
Non-current assets			
Property, plant and equipment	12(a)	21,929	37,141
Investment properties	13	99,292	110,210
Investment in an insurance contract	15	2,823	2,744
Other non-current asset		812	812
Intangible asset	16	1,803	–
Goodwill	17	20,681	–
Deferred tax assets	23	3,374	1,072
		150,714	151,979
Current assets			
Contract assets	18	100,602	67,378
Trade and other receivables	19(a)	578,159	389,925
Prepayments	19(b)	246,398	439,643
Financial assets at fair value through profit or loss		33	30
Pledged deposits	20(d)	126,100	119,352
Cash and bank balances	20(a)	54,898	96,662
		1,106,190	1,112,990
Current liabilities			
Trade and other payables	21	79,496	86,384
Bank loans and overdrafts	22	445,091	499,273
Lease liabilities	12(b)	7,014	7,604
Amounts due to a director	28(b)	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

	Notes	2022 MOP'000	2021 MOP'000
Non-current liabilities			
Lease liabilities	12(b)	6,790	16,042
Bank loans and overdrafts	22	2,994	–
Deferred tax liabilities	23	1,745	2,965
		11,529	19,007
Net assets		628,939	606,833
Capital and reserves			
Share capital	25	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		628,939	606,833

The consolidated financial statements on pages 69 to 144 were approved and authorised for issue by the board of directors on 22 March 2023 and are signed on its behalf by:

Che Chan U
Director

Lei Soi Kun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in Macau Pataca)

	Attributable to owners of the Company								
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (a))	Other reserve MOP'000	Exchange reserve MOP'000	Retained profits MOP'000	Total MOP'000	Non-controlling interests MOP'000	Total equity MOP'000
At 1 January 2021	7,828	245,822	150	(8,388)	–	197,859	443,271	49	443,320
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	51,825	51,825	(141)	51,684
Other comprehensive income	–	–	–	–	(63)	–	(63)	–	(63)
Total comprehensive income for the year	–	–	–	–	(63)	51,825	51,762	(141)	51,621
Shares issued	474	111,418	–	–	–	–	111,892	–	111,892
At 31 December 2021	8,302	357,240	150	(8,388)	(63)	249,684	606,925	(92)	606,833
Changes in equity for 2022:									
Profit for the year	–	–	–	–	–	21,485	21,485	(997)	20,488
Other comprehensive income	–	–	–	–	627	–	627	–	627
Total comprehensive income for the year	–	–	–	–	627	21,485	22,112	(997)	21,115
Acquisition of a subsidiary (note 31)	–	–	–	–	–	–	–	991	991
At 31 December 2022	8,302	357,240	150	(8,388)	564	271,169	629,037	(98)	628,939

Note:

(a) In accordance with Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022
(Expressed in Macau Pataca)

	Note	2022 MOP'000	2021 MOP'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	20(b)	28,437	(115,326)
Interest received		168	1,316
Income tax paid		(50)	(273)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		28,555	(114,283)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		(449)	(16,420)
Interest received from banks		446	548
Proceeds from the disposal of subsidiaries		–	2,000
Proceeds from the disposal of property, plant and equipment		35	–
Repayment from directors		–	9,534
Acquisition of subsidiaries	31	(23,643)	(2,924)
NET CASH USED IN INVESTING ACTIVITIES		(23,611)	(7,262)
FINANCING ACTIVITIES			
Drawdown of bank loans		648,331	1,156,942
Advance from directors		32,607	4,453
Repayment of bank loans		(710,983)	(1,074,761)
Interest paid		(18,538)	(16,615)
Increase in pledged deposits		(6,748)	(27,219)
Payment for lease liabilities		(7,322)	(4,881)
Issue of ordinary share		–	111,892
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(62,653)	149,811
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(57,709)	28,266
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		82,723	54,457
EFFECT OF EXCHANGE RATE CHANGES		1,317	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20(a)	26,331	82,723

1. GENERAL INFORMATION

Space Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the fitting-out works and 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 , 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

(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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 Team 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

New and amendments to HKFRSs issued but not yet effective (Continued)

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 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.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Subsidiaries are fully consolidated from the date that control is transferred to the Group until the date that control ceases.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances, transactions and unrealised profits arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made between the carrying amounts of controlling and non-controlling interests to reflect their relative interests in the subsidiary, but no adjustments are made to goodwill and profit or loss.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(j)(ii)). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, except for business combination under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

– fair values of the assets transferred;

– liabilities incurred to the former owners of the acquired business;

– equity interests issued by the Group;

– fair value of any asset or liability resulting from a contingent consideration arrangement; and

– fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

(e) Intangible asset acquired in a business combination

Intangible asset acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible asset with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment (including right-of-use assets) are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(j)(iii)).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight line method to allocate their cost to their estimated residual value over their estimated useful lives as follows:

– Leasehold improvement	Over the shorter of term of leases, or 5 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	5 years

Both the useful live and residual value of an asset are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Investment properties

Investment properties are land which is owned by the Group that is being constructed or developed for future use to earn rental income and/or for capital appreciation.

Investment property is measured initially at its cost, including any directly attributable expenditure. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually determined by external appraisers. Changes in fair values are recognised in profit or loss.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is presented as a separate line in the consolidated statement of financial position.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leases (Continued)

The Group as lessee (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of the corresponding lease liability;

– any lease payments made at or before the commencement date less any lease incentives received;

– any initial direct costs; and

– restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use assets are subsequently stated at cost less accumulated depreciation and impairment loss (see note 2(j)(iii)).

The Group presents right-of-use assets in property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and other financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

(i) Classification

At initial recognition, the Group classifies its financial assets as (i) financial assets at fair value through profit or loss or (ii) financial assets at amortised cost.

(a) Financial assets at fair value through profit or loss

For the debt instruments, the objective of the Group's business model is not to hold the assets to collect the contractual cash flows, and not both hold the financial assets to collect the contractual cash flows and to sell the financial assets. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets. All equity instruments are measured at fair value through profit or loss.

(b) Financial assets at amortised cost

For those financial assets that the Group holds to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding on specified dates, they are classified as financial assets at amortised cost. Financial assets in this category are classified as current assets if expected to be settled or with maturities within 12 months; otherwise, they are classified as non-current assets. The Group's assets in this category include trade and other receivables, contract assets, pledged deposits, bank deposits, cash and bank balances.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and other financial assets (Continued)

(ii) Recognition, de-recognition and measurement

Purchases and sales of financial assets are recognised on trade day – the date on which the Group commits to purchase or sell the assets. Financial assets carried at fair value through profit or loss are initially recognised at fair value, with the transaction costs expensed in profit or loss. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Subsequent measurement depends on the classification of the financial assets as follows:

(a) Financial assets at fair value through profit or loss

The Group measures these financial assets at fair value. Net gains or losses on financial assets that are subsequently measured at fair value through profit or loss, including dividend income and interest income, are recognised in the consolidated statement of profit or loss. This information is shown under other income and gains, net.

(b) Financial assets at amortised cost

Interest income from these financial assets is recognised in the other income and gain, net.

(iii) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note (j) for further details.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

(i) Impairment of financial assets and contract assets

The Group assesses impairment based on expected credit losses (ECLs) using on a forward-looking basis on the following items:

– financial assets measured at amortised cost (including cash and bank balances), bank deposits, pledged deposits and trade and other receivables); and

– contract assets (see note 2(k)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets such as trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade receivables and contract assets, the Group considers that there is no significant financing component. The Group applies HKFRS 9 simplified approach in measuring ECL of such assets, which uses a lifetime expected loss allowances.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of financial assets and contract assets (Continued)

Measurement of ECLs (Continued)

For all other financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for the factors reasonable and supportive forward-looking information that is available, including the external credit rating and its expected change specific to the debtors and an assessment of both the current and forecast general economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 2 years past due . The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of financial assets and contract assets (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. An exposure will migrate through the ECL stages as credit risk changes. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-month ECL.

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of financial assets and contract assets (Continued)

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no reasonable expectation of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of amounts previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(iii) Impairment of non-current assets (other than goodwill)

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment and investments in subsidiaries may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that then may be impaired.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i .e . a cash-generating unit) ("CGU") .

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Contract assets/contract liabilities

A contract asset represents the Group's right to consideration from customers in exchange for the provision of fitting-out works and building construction works that the Group has transferred to the customers that is not yet unconditional. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability represents the Group's obligation to transfer the aforesaid services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Contract assets and contract liabilities are classified as current if the collection of the payment or the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

(m) Prepayments

Prepayments of the Group are to subcontractors and suppliers and the classification of prepayments depends on the nature of their underlying assets and expense. Prepayments are classified as current, except for prepayments for acquisition of non-current assets and prepayment for expense over 12 months where these are classified as non-current.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Bank overdrafts are shown within bank loans and overdrafts and other borrowings in current liabilities in the consolidated statement of financial position.

(o) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due with 12 months after the reporting period (or beyond the normal operating cycle of business).

(q) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost, with any difference between the amount initially recognised, being the proceeds net of transaction costs, and the redemption value being recognised in the consolidated profit or loss over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised during the period of time that is required to complete and prepare such asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

(s) Employee Benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefits

The Group operates only defined contribution retirement schemes (including the Mandatory Provident Fund) for its employees. The schemes are generally funded by contributions from the relevant Group companies.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the defined contribution retirement schemes are recognised as an expense in the profit or loss in the period to which the contributions relate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised and the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. The increase in provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(v) Investment in an insurance contract

The management life insurance contract of the Group includes both investment and insurance elements. The investment insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the construction contracts and financial service contracts.

Revenue is recognised when the control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be received or receivable, excluding those amounts collected on behalf of third parties. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

(i) Construction contracts

The Group provides fitting-out works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the works performed by the Group create or enhance an asset under the customer's control.

Revenue from provision of fitting-out works is recognised over time using the output method, i.e. based on direct measurements of the value of services delivered and the estimated total revenue for the contracts entered into by the Group. When the outcome of a construction contract cannot be reasonably measured, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable provided that the value of contract work performed can be measured reliably. Variations in contract work are recognised as contract revenue to the extent that the modification has been expected by the parties to the contracts and it is highly probable that a significant revenue reversal will not occur when the uncertainty associated with it is subsequently resolved.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(u).

(ii) Commission income

The commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes brokerage commission income, placing commission income and underwriting commission income.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and other income (Continued)

(iii) Management fee income

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group.

(iv) Business consultancy services

Consultancy services to customers are recognised in both at a point in time and over time based on the terms of the services contract. The consultancy income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of income received or receivable represents the transaction price for the services identified as distinct performance obligations. The Group recognized the revenue over time when the customers simultaneously receives and consumes the benefit provided by the Group's performance, measures at an amount that the Group has the right to invoice based on the terms of the relevant contracts.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the financial asset (see note 2(j)(i)).

(x) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Macau Pataca ("MOP"), which is the Company's functional and the Group's presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates (i.e. the date on which the Group initially recognises such non-monetary assets or liabilities). Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Translation of foreign currencies (Continued)

The results of foreign operations are translated into Macau Pataca at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Macau Pataca at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in the exchange reserve under equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(ix) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. The Group presented government grants relating to employee benefits with staff cost in other income and gains, net in gross.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM has been identified as Group's most senior executive management, who is responsible for allocating resources to, and assessing the performance of the operating segments.

(ab) Dividend distribution

Dividend distribution to the Company's equity shareholders is recognised as a liability in the Group's consolidated financial statements and the Company's financial statements in the period in which the dividend is approved by the Company's shareholders or directors, where appropriate.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

Sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Loss allowances on trade receivables and contract assets

For trade receivables and contract assets the Group applies the simplified approach to provide for ECL as prescribed by HKFRS 9, which requires the use of the lifetime ECL allowance for all trade receivables and contract assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the loss allowance calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Management reassesses the loss allowance by the end of each reporting period. At 31 December 2022, the Group has trade receivables, net of allowance, of approximately MOP546,514,000 (2021: MOP368,596,000) and contract assets of approximately MOP100,602,000 (2021: MOP67,378,000).

(b) Accounting for construction contracts

As explained in policy note 2(w), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. When the outcome of a construction contract cannot be reasonably measured, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.

Management reviews and revises the estimates of contract revenue by reference to the certificate of completion issued by the customers or payment applications or confirmation received from customers, contract costs and variation orders for each construction contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Sources of estimation uncertainty (Continued)

(c) Taxation

The Group is subject to taxation in Hong Kong, Macau and Mainland China. The Group makes provision for income tax based on estimated taxable income for the year, which significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on the most likely amounts of the estimated outcome. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the financial period in which such determination is made.

(d) Valuation of investment properties

As at 31 December 2022, the Group's investment properties amounted to MOP99,292,000 (2021: MOP110,210,000). They are stated at estimated fair value, determined by directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the nature of each property, its location and expected development value, which is particularly relevant in light of the market uncertainty due to the COVID-19 pandemic. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market.

(e) Purchase Price Allocation ("PPA") and Impairment assessment of goodwill

During the year ended 31 December 2022, the Group acquired 100% equity interest in Advent Corporate Finance Limited ("Advent") which principally engaged in carrying out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance. An intangible asset and goodwill of approximately MOP1,803,000 and MOP20,681,000 are recognised.

Pursuant to HKFRS 3 Business Combinations, the Group is required to measure the fair value of identifiable asset acquired, including any identifiable intangible asset, and liabilities assumed at the date of the acquisition. The fair value assessment of the identifiable assets and liabilities assumed requires significant judgements and estimates adopted in the purchase price allocation exercised by an independent valuer and the management of the Group, in particular the identification of intangible asset acquired.

Determining whether goodwill and intangible asset is impaired requires an estimation of the value in use of the relevant cash-generating units. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2022, no impairment is considered necessary in respect of goodwill and intangible asset of approximately MOP1,803,000 and MOP20,681,000. Details of the recoverable amount calculation are disclosed in notes 17.

4. 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:

For the year ended 31 December 2022

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
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
	434,911	42,049	476,960
Revenue from other source			
Interest income from margin financing	–	168	168
Total	434,911	42,217	477,128

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

For the year ended 31 December 2021

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
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
	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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue by timing of recognition:

For the year ended 31 December 2022

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
At a point in time	–	29,175	29,175
Over time	434,911	12,874	447,785
	434,911	42,049	476,960

For the year ended 31 December 2021

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
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).

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

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

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is MOP1,484,380,000 (2021: MOP1,916,459,000). This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. Based on the information available to the Group at the end of the reporting period, the Group will recognise such amount when or as the work is completed which is expected to occur over the next 3 to 24 months (2021: 3 to 24 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, and 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, business consultancy services and securities and asset management advisory services to customers.

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(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.

For the 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

For the 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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(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 asset, 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.

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(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))	175,930	–
Customer B (note (ii))	156,971	175,195
Customer C (note (iii))	59,740	197,708
Customer D (note (ii))	40,644	–
Customer E (note (i))	–	68,443

Notes:

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

(ii) These transactions are attributable to segment of fitting-out works in Hong Kong.

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

5. OTHER INCOME AND GAINS, NET

	2022 MOP'000	2021 MOP'000
Bank interest income	446	548
Government subsidies (note (i))	1,458	1,487
Others	(49)	(32)
Total other income	1,855	2,003
Net increase in cash surrender value of an investment in an insurance contract	79	78
Net exchange (losses) gains	(48)	515
Fair value gain on financial assets at fair value through profit or loss	3	2
Total other gains	34	595
Total other income and gains, net	1,889	2,598

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.

6. PROFIT BEFORE TAXATION

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

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

7. FINANCE COSTS

	2022 MOP'000	2021 MOP'000
Interests on:		
– Bank loans and overdrafts	17,635	15,887
– Lease liabilities	903	728
	18,538	16,615

8. INCOME TAX

	2022 MOP'000	2021 MOP'000
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	(3,142)	(791)
	3,270	9,601

Notes:

(i) The Group is not subject to any income tax in the Cayman Islands and British Virgin Islands pursuant to the rules and regulations in the corresponding jurisdictions.

(ii) For the years ended 31 December 2022 and 2021, a special tax incentive is provided to effect that tax free income threshold of MOP600,000 and Macau Complementary Tax is calculated at 12% (2021: 12%) of the estimated assessable profits exceeding MOP600,000 (2021: MOP600,000) for the year ended 31 December 2022.

(iii) The Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(iv) Corporate Income Tax in the People's Republic of China ("the PRC") for 2022 is calculated at 25% (2021: 25%). No enterprise income tax has been provided because the entity in the PRC has no assessable profits for the years ended 31 December 2022 and 2021.

Reconciliation between income tax and accounting profit at applicable tax rates

	2022 MOP'000	2021 MOP'000
Profit before taxation	23,758	61,285
Notional tax on profit before taxation calculated at the rates applicable to profits in the regions concerned	2,705	7,654
Tax effect of non-deductible expenses	1,085	2,424
Tax effect of non-taxable income	(73)	(17)
Tax effect of two-tiered profit tax rates regime	(165)	(170)
Utilisation of previously unrecognised tax losses	(210)	(218)
Tax effect of tax exemption under Macau Complementary Tax	(72)	(72)
Income tax expense	3,270	9,601

9. DIRECTORS' EMOLUMENTS

Details of directors' emoluments were as follows:

	2022				
	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000 (note (vii))	Retirement scheme contributions MOP'000	Total MOP'000
Executive Directors					
Che Chan U	–	600	–	1	601
Lei Soi Kun	–	240	–	1	241
Lok Wai Tak[1]	–	351	–	–	351
Ho Kwong Yu	–	1,200	–	–	1,200
Independent Non-executive Directors					
Fan Chun Wah, Andrew[2]	–	199	–	–	199
Eulógio dos Remédios, José António	–	120	–	1	121
Li Guohui[3]	–	131	–	–	131
Leong Iat Lun	–	120	–	1	121
Total	–	2,961	–	4	2,965

1 Appointed as an executive director with effect from 16 May 2022.
2 Resigned as an independent executive director with effect from 8 August 2022.
3 Appointed as an independent executive director with effect from 8 August 2022.

9. DIRECTORS' EMOLUMENTS (Continued)

	2021				
	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000 (note (vii))	Retirement scheme contributions MOP'000	Total MOP'000
Executive Directors					
Che Chan U	–	600	–	1	601
Lei Soi Kun	–	240	–	1	241
Ho Kwong Yu	–	1,200	–	–	1,200
Independent Non-executive Directors					
Fan Chun Wah, Andrew	–	330	–	–	330
Eulógio dos Remédios, José António	–	120	–	–	120
Leong Iat Lun	–	120	–	1	121
Total	–	2,610	–	3	2,613

Notes:

(i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

(ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the years ended 31 December 2022 and 2021.

(iii) Directors' other services

No other emoluments and retirement benefits were paid to or receivable by any director in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended 31 December 2022 (2021: nil).

(iv) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertakings of the Company, where applicable, in favour of directors.

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year ended 31 December 2022 (2021: nil).

9. DIRECTORS' EMOLUMENTS (Continued)

Notes: (Continued)

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the years ended 31 December 2022 and 2021.

(vi) Consideration provided to or receivable by third parties for making available directors' services

During the years ended 31 December 2022 and 2021, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company.

(vii) The discretionary bonus is determined by the Remuneration Committee having regard to the directors' performance and the Company's performance and profitability and the prevailing market conditions.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: two) is the director of the Company whose emoluments are disclosed in note 9. The emoluments in respect of the four (2021: three) non-director individuals for the years ended 31 December 2022 and 2021, were as follows:

	2022 MOP'000	2021 MOP'000
Salaries and other emoluments	3,074	1,888
Discretionary bonuses	210	158
Retirement benefit scheme contributions	4	3
	3,288	2,049

The emoluments of the four (2021: three) non-director individuals for the year ended 31 December 2022 were within the following emolument ranges:

	2022 Number of individuals	2021 Number of individuals
Nil to HKD1,000,000 (MOP1,030,000)	4	3

None of the five top-paid employee received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

11. 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

	2022 MOP'000	2021 MOP'000
Profit for the year attributable to owners of the Company	**21,485**	51,825

Weighted average number of ordinary shares

	2022 '000	2021 '000
Weighted average number of ordinary shares	**806,000**	792,641

(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.

12(a). PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Right of use assets – buildings and car parks MOP'000 (note)	Total MOP'000
Cost:					
As at 31 December 2020 and 1 January 2021	–	1,241	123	6,871	8,235
Additions	15,539	469	412	25,410	41,830
Early termination of lease	–	–	–	(2,613)	(2,613)
Exchange realignment	1	3	5	174	183
As at 31 December 2021 and 1 January 2022	15,540	1,713	540	29,842	47,635
Additions	358	91	–	683	1,132
Acquired on acquisition of a subsidiary	15	97	–	1,567	1,679
Disposals	(660)	(80)	–	–	(740)
Early termination of lease	–	–	–	(5,367)	(5,367)
Exchange realignment	(831)	(14)	(26)	(914)	(1,785)
As at 31 December 2022	14,422	1,807	514	25,811	42,554
Accumulated depreciation:					
As at 31 December 2020 and 1 January 2021	–	637	123	3,876	4,636
Charge for the year	1,648	361	68	5,618	7,695
Early termination of lease	–	–	–	(1,868)	(1,868)
Exchange realignment	8	–	1	22	31
As at 31 December 2021 and 1 January 2022	1,656	998	192	7,648	10,494
Charge for the year	3,817	459	98	7,737	12,111
Disposals	(185)	(16)	–	–	(201)
Early termination of lease	–	–	–	(1,530)	(1,530)
Exchange realignment	(96)	(3)	(5)	(145)	(249)
As at 31 December 2022	5,192	1,438	285	13,710	20,625
Net book value:					
As at 31 December 2022	9,230	369	229	12,101	21,929
As at 31 December 2021	13,884	715	348	22,194	37,141

12(a). PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: The Group obtains right to control the use of various properties for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a range of different terms and conditions including lease payments and lease terms ranging from 1 to 5 years (2021: 1 to 5 years). Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets are not used as security for borrowing purposes.

As at 31 December 2022, right-of-use assets comprise buildings of MOP12,023,000 (2021: MOP22,094,000) and car parks of MOP78,000 (2021: MOP100,000). During the year ended 31 December 2022, the deprecation of the right-of-use assets of buildings and car parks are approximately MOP7,715,000 and MOP22,000 respectively (2021: MOP5,607,000 and MOP11,000).

12(b). LEASE LIABILITIES

	2022 MOP'000	2021 MOP'000
Non-current	6,790	16,042
Current	7,014	7,604
	13,804	23,646

Amounts payable under lease liabilities

	2022 MOP'000	2021 MOP'000
Within one year	7,014	7,604
After one year but within two years	3,129	7,423
After two years but within five years	3,661	6,582
After five years	–	2,037
	13,804	23,646
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,014)	(7,604)
Amount due for settlement after 12 months	6,790	16,042

The total cash outflow of lease for the year ended 31 December 2022 was MOP8,225,000 (2021: MOP5,609,000).

13. INVESTMENT PROPERTIES

	2022 MOP'000	2021 MOP'000
As at 31 December	99,292	110,210

During the year ended 31 December 2022, the movement represents the fair value loss of approximately MOP10,917,000. There was no movement during the year ended 31 December 2021.

a. Fair value hierarchy

All investment properties are included in level 3 without transfers in or transfers out of such fair value hierarchy levels during the year. For summary of quantitative information about the significant unobservable inputs used in level 3 fair value measurement, see note 13(c) below.

b. Valuation process

The fair values of the Group's investment properties as at 31 December 2022 and 2021 have been determined on the basis of valuations carried out by Vigers International Property Consultants, an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council, were arrived at using residual method.

c. Fair value measurement using significant unobservable inputs

Fair values of investment properties are generally derived using the residual method. The residual method is essentially a means of valuing land by reference to its development potential by deducting costs and developer's profit from its estimated completed development value.

		2022 and 2021		
Investment properties	Valuation technique	Significant unobservable inputs	Rate	Relationship of unobservable inputs to fair value
Nos. 23, 25, 27, 32 and 34, Rua Du Cunha, Coloane, Macau	Residual method	Construction costs	MOP40,000,000	The higher the estimated construction costs, the lower the fair value
		Development profit	20% on gross development value	The higher development profit, the higher the fair value

Investment properties amounting to MOP99,292,000 (2021: MOP110,210,000) are pledged as security for the bank loans of the Group (Note 22).

14. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following list contains principal subsidiaries of the Group which, in the opinion of the director of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particular of excusive length. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation/ operations	Issued and fully paid share capital		Interest held by			Principal activities
		2022 MOP	2021 MOP	Group	Company	A subsidiary	
Space Construction (BVI) Ltd	The British Virgin Islands	1,598 (equivalent to US$200)	1,598 (equivalent to US$200)	100%	100%	0%	Investment holding
Space Construction & Engineering Co., Ltd.	Macau	100,000	100,000	100%	0%	100%	Construction and engineering
Companhia Space Group Limitada	Macau	50,000	50,000	100%	0%	100%	Inactive
Space Oriental Construction & Engineering Co., Ltd.	Macau	100,000	100,000	100%	0%	100%	Construction and engineering
Minsang Oriental Limited	Macau	100,000	100,000	100%	0%	100%	Construction and engineering
新時代智能建築工程有限公司	Macau	100,000	100,000	51%	0%	51%	Inactive
Space Building & Construction (Hong Kong) Limited	Hong Kong	10,300 (equivalent to HK$10,000)	10,300 (equivalent to HK$10,000)	100%	0%	100%	Construction and engineering
Space Financial Holdings Limited (note i)	Hong Kong	14,192,300 (equivalent to HK$13,779,000)	10,300 (equivalent to HK$10,000)	93.02%	0%	100%	Financial service
Space Securities Limited	Hong Kong	20,600,000 (equivalent to HK$20,000,000)	20,600,000 (equivalent to HK$20,000,000)	100%	0%	100%	Financial service
Space Asset Management Limited	Hong Kong	8,240,000 (equivalent to HK$8,000,000)	8,240,000 (equivalent to HK$8,000,000)	100%	0%	100%	Financial service
Advent Corporate Finance Limited*	Hong Kong	10,300 (equivalent to HK$10,000)	N/A	100%	0%	100%	Financial service

Note i: The equity interests held by the Group in Space Financial Holdings Limited was 100% as at 31 December 2021.

* This subsidiary was acquired by the Company during the year ended 2022.

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

None of the subsidiaries have non-controlling interests that are material to the Group.

15. INVESTMENT IN AN INSURANCE CONTRACT

	2022 MOP'000	2021 MOP'000
As at 1 January	2,744	2,658
Net increase in cash surrender value charged to profit or loss	79	78
Exchange differences	–*	8
As at 31 December	2,823	2,744

* The amount is less than MOP1,000.

Investment in an insurance contract represents a life insurance policy for key management staff (the "Insurance Policy"). The Group is the beneficiary of the Insurance Policy. As at 31 December 2022, the Insurance Policy of MOP2,823,000 (2021: MOP2,744,000) was pledged to a bank to secure certain banking facilities of the Group, which include performance bonds and loan facilities granted to the Group as set out in Note 22.

16. INTANGIBLE ASSET

	2022 MOP'000	2021 MOP'000
As at 1 January	–	–
Arising on acquisition of a subsidiary	1,803	–
As at 31 December	1,803	–

The amount represents license used for the Group's operation and are renewable every year at a minimal cost. The directors of the Company are of the opinion that the Group would renew the license continuously and has the ability to do so.

As a result, the license is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The license will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. No impairment is considered necessary for the year ended 31 December 2022.

17. GOODWILL

	2022 MOP'000	2021 MOP'000
As at 1 January	–	–
Arising on acquisition of a subsidiary	20,681	–
As at 31 December	20,681	–

For the purposes of impairment testing, goodwill has been allocated to an individual cash-generating unit and representing the operating segment on financial services. The carrying amount of goodwill as at 31 December 2022 is allocated to this unit.

As at 31 December 2022, the directors of the Company performed an impairment assessment of this cash generating unit comprising goodwill, intangible asset and property, plant and equipment of MOP20,681,000, MOP1,803,000 and MOP736,000 respectively.

The recoverable amount of above CGU was determined with reference to a value-in-use calculation of the related CGU. That calculation used cash flow projections based on financial budget approved by the directors of the Company covering a five-year period, with discount rate at 15.70% per annum respectively. Cash flows beyond the 5-year period are extrapolated using a 0% growth rate. Key assumptions include the expected growth in revenues and operating margins, estimated compound growth rates, selection of discount rates. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations.

18. CONTRACT ASSETS

	2022 MOP'000	2021 MOP'000
Arising from performance under construction contracts	103,484	68,202
Less: loss allowance	(2,882)	(824)
Arising from performance under construction contract, net	100,602	67,378

Movements in the loss allowance of contract assets during the year were as follows:

	2022 MOP'000	2021 MOP'000
As at 1 January	824	1,155
Impairment losses (reversal of) impairment losses	2,058	(331)
As at 31 December	2,882	824

18. CONTRACT ASSETS (Continued)

Typical payment terms which impact on the amount of contract assets recognised are as follow:

Construction contracts

The significant increase in contract assets is due to the increase of projects engaged during the year.

As at 31 December 2022, contract assets of MOP2,882,000 (2021: MOP824,000) were considered as impaired and were provided for.

The carrying amount of contract assets as at 1 January 2021 and 31 December 2021 are MOP31,306,000 and MOP67,378,000.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a one to three year retention period for 5–10% of the contract value. Such retentions are included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The amount of contract assets that is expected to be recovered after more than one year is MOP100,602,000 (2021: MOP67,378,000), which is within the normal operating cycle and is classified as current.

19(a). TRADE AND OTHER RECEIVABLES

	Notes	2022 MOP'000	2021 MOP'000
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

19(a). TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(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 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.

(iii) As at 31 December 2022, the gross amount of trade receivables from contracts with customers amounted to approximately MOP571,587,000 (2021: MOP379,654,000).

As at 31 December 2022, loss allowance for other receivables was approximately MOP1,158,000 (2021: MOP702,000). There is no significant increase in credit risk and therefore the Group measures the loss allowance for other receivables at an amount equal to 12-month ECL.

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

	2022 MOP'000	2021 MOP'000
As at 1 January	11,116	2,799
Impairment losses recognised	13,957	8,317
As at 31 December	25,073	11,116

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

19(a). TRADE AND OTHER RECEIVABLES (Continued)

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 MOP'000	2021 MOP'000
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

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

	2022 MOP'000	2021 MOP'000
As at 1 January	702	162
Impairment losses recognised	456	540
As at 31 December	1,158	702

19(b). PREPAYMENTS

At 31 December 2022, the balances include prepayments of approximately MOP246,398,000 (2021: MOP437,917,000) which were made to the sub-contractors for the provision of fitting-out services to the Group.

20. CASH AND BANK BALANCES, BANK DEPOSITS AND PLEDGED DEPOSITS

(a) Cash and bank balances and bank deposits comprise

	Notes	2022 MOP'000	2021 MOP'000
Cash at general accounts and on hand	(i)	45,546	95,632
Bank overdrafts (note 22)		(19,215)	(12,909)
Cash and cash equivalents in the consolidated statement of cash flows		26,331	82,723
Cash at general accounts and on hand	(i)	45,546	95,632
Cash at segregated accounts	(ii)	9,352	1,030
Cash and bank balances in the consolidated statement of financial position		54,898	96,662

Notes:

(i) The cash at general accounts and on hand comprise cash held by the Group and bank deposits bearing interest at commercial rate.

(ii) The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions as the Group does not have a currently enforceable right to offset those payables with the deposits placed.

20. CASH AND BANK BALANCES, BANK DEPOSITS AND PLEDGED DEPOSITS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations

	Notes	2022 MOP'000	2021 MOP'000
Profit before taxation		23,758	61,285
Adjustments for:			
Interest income	4 & 5	(614)	(1,864)
Finance costs	7	18,538	16,615
Depreciation	6(b)	12,111	7,695
Fair value change in investment properties		10,917	–
Net change in cash surrender value of investment in an insurance contract		(79)	(78)
Impairment loss of trade and other receivables and contract assets		16,471	8,526
Fair value change in investment		(3)	(2)
(Gain)/loss on early termination of leases		(163)	593
Loss on disposal of property, plant and equipment		505	–
Changes in working capital:			
Increase in contract assets		(35,282)	(35,741)
(Increase) decrease in trade and other receivables		(195,174)	12,481
Decrease (increase) in prepayment		193,425	(219,788)
(Increase) decrease in bank balances – segregated accounts		(8,322)	8,014
Increase in trade and other payables		(7,651)	26,938
Cash generated from (used in) operations		**28,437**	**(115,326)**

20. CASH AND BANK BALANCES, BANK DEPOSITS AND PLEDGED DEPOSITS (Continued)

(c) Reconciliation of liabilities arising from financing activities

	2022			
	Bank loans MOP'000	Amounts due to directors MOP'000	Lease liabilities MOP'000	Total MOP'000
As at 1 January 2022	486,364	4,453	23,646	514,463
Cash flows in financing activities:	–	–	–	–
Drawdown of bank loans	648,331	–	–	648,331
Repayment of bank loans	(710,983)	–	–	(710,983)
Interest paid	(17,635)	–	(903)	(18,538)
Payment for lease liabilities	–	–	(7,322)	(7,322)
Advance from directors	–	32,607	–	32,607
Non-cash movements	22,793	–	(1,617)	21,176
As at 31 December 2022	428,870	37,060	13,804	479,734

	2021			
	Bank loans MOP'000	Amounts due to directors MOP'000	Lease liabilities MOP'000	Total MOP'000
As at 1 January 2021	404,183	–	3,207	407,390
Cash flows in financing activities:				
Drawdown of bank loans	1,156,942	–	–	1,156,942
Repayment of bank loans	(1,074,761)	–	–	(1,074,761)
Interest paid	(15,887)	–	(728)	(16,615)
Payment for lease liabilities	–	–	(4,881)	(4,881)
Advance from directors	–	4,453	–	4,453
Non-cash movements	15,887	–	26,048	41,935
As at 31 December 2021	486,364	4,453	23,646	514,463

(d) Pledged deposits

The balance represents deposits pledged to secure the banking facilities of the Group (including bank loans and overdraft and issuance of performance bonds).

21. TRADE AND OTHER PAYABLES

	2022 MOP'000	2021 MOP'000
Trade payables	39,138	19,916
Retention payables (note (i))	9,606	13,978
Contract liabilities (note (ii))	–	13,390
Other payables and accruals	30,752	39,100
	79,496	86,384

Notes:

(i) All of the balances are settled within one year. As such amount is within the normal operating cycle, it is classified as current.

(ii) As at 31 December 2021, the amounts represented the prepayment receipt in advance of construction project. The significant changes due to the utilization of the amount during the year.

As at 31 December 2022, included in trade payables 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 MOP'000	2021 MOP'000
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
	27,137	11,267

22. BANK LOANS AND OVERDRAFTS

As at 31 December 2022, the bank loans and overdrafts were repayable as follows:

	2022 MOP'000	2021 MOP'000
Within 1 year or on demand (note)	445,091	499,273
After 1 year but within 2 years	2,994	–
Bank loans and overdrafts	448,085	499,273

Note: The bank loans which are repayable within one year, contain a repayable on demand clause as stipulated in the relevant loan agreements.

As at 31 December 2022, the bank loans and overdrafts were secured as follows:

	2022 MOP'000	2021 MOP'000
Secured overdrafts (note 20(a))	19,215	12,909
Secured bank loans	428,870	486,364
Bank loans and overdrafts	448,085	499,273

The ranges of effective interest rates on the Group's borrowings are as follows:

Variable-rate borrowings	2022	2021
Bank overdrafts	4.25% to 5.75%	4.25% to 5.75%
Bank loans	2% to 6.125%	1.739% to 5.5%

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2022 MOP'000	2021 MOP'000
Hong Kong Dollars	358,767	415,028
United States Dollars	1,643	1,706
	360,410	416,734

22. BANK LOANS AND OVERDRAFTS (Continued)

As at 31 December 2022, the banking facilities (including bank loans and overdrafts and performance bonds) granted to the Group were secured by:

(i) Investment properties held by the Group with carrying amount of MOP99,292,000 (2021: MOP110,210,000);

(ii) Pledged deposits of MOP126,100,000 (2021: MOP119,352,000);

(iii) Corporate guarantees provided by the Company and certain subsidiaries;

(iv) Investment in an insurance contract of MOP2,823,000 (2021: MOP2,744,000); and

(v) Guarantees provided by HKMC Insurance Limited under the HKMC SME Financing Guarantee Scheme.

Some of the Group's banking facilities were subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios which are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2022 and 2021, the Group was in compliance with the covenants relating to drawn down facilities.

23. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purposes:

	2022 MOP'000	2021 MOP'000
Deferred tax assets	3,374	1,072
Deferred tax liabilities	(1,745)	(2,965)
As at 31 December 2022	1,629	(1,893)

23. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Movements in deferred tax assets/(liabilities) during the year were as follows:

	Impairment of trade receivable and contract assets MOP'000	Fair value adjustments on investment properties MOP'000	Lease liabilities MOP'000	Tax loss MOP'000	Intangible asset MOP'000	Total MOP'000
As at 1 January 2021	–	(2,719)	35	–	–	(2,684)
Credited to:						
– profit or loss (note 8)	1,072	–	(281)	–	–	791
As at 1 January 2022	1,072	(2,719)	(246)	–	–	(1,893)
– arising on acquisition of a subsidiary	380	–	–	298	(298)	380
Credited to:						
– profit or loss (note 8)	1,922	1,310	(90)	–	–	3,142
As at 31 December 2022	3,374	(1,409)	(336)	298	(298)	1,629

The Group had unutilised estimated tax losses relating to the subsidiaries in Macau and Hong Kong for which no deferred income tax assets have been recognised of MOP5,690,000 (2021: MOP5,174,000) to carry forward for deduction against future taxable income. The tax losses of MOP5,116,000 (2021: MOP5,174,000), relating to Macau incorporated companies, will expire within 1 to 3 years from 31 December 2022 (2021: 1 to 3 years from 31 December 2021). The remaining portion of the tax losses of MOP574,000 (2021: MOPnil), mainly relating to Hong Kong incorporated companies, can be carried forward indefinitely. The tax losses relating to Hong Kong incorporated companies is arising from the new acquired subsidiary.

24. EMPLOYEE RETIREMENT BENEFITS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions. Contributions to the plan vest immediately.

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. As at 31 December 2022, no forfeited contribution under the retirement benefit scheme of the Group is available to reduce the contribution payable in the future years.

Employees of the subsidiary in the PRC are members of pension schemes operated by the PRC government. The Group is required to contribute, based on a certain percentage of the employees' remuneration, to these pension schemes to fund the benefits. The only obligation for the Group with respect to these pension schemes is the required contribution under the central pension scheme. Contributions to these scheme vest immediately.

25. SHARE CAPITAL

	2022		2021	
	No. of shares	Amount MOP'000	No. of shares	Amount MOP'000
Authorised ordinary shares of HK$0.01 each:				
As at 1 January and as at 31 December	2,000,000,000	20,600	2,000,000,000	20,600
Ordinary shares, issued and fully paid:				
As at 1 January	806,000,000	8,302	760,000,000	7,828
Issuance of new shares (note (i))	–	–	46,000,000	474
As at 31 December	806,000,000	8,302	806,000,000	8,302

Note:

(i) The Company issued 46,000,000 ordinary shares of HK$0.01 each to independent third parties at a subscription price of HK$2.35 per share in April 2021.

26. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and financial services business and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In addition, subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on a monthly or semi-annually basis as required . During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R.

The Group monitors its capital structure on the basis of gearing ratio (calculated by total debts divided by total equity; total debts include bank loans and overdrafts and other borrowings). The Group's strategy was to maintain a relatively low gearing ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's gearing ratio as at 31 December 2022 and 2021 was as follows:

	Note	2022 MOP'000	2021 MOP'000
Current liabilities:			
Bank loans and overdrafts	22	448,085	499,273
Total debts		448,085	499,273
Total equity		628,939	606,833
Gearing ratio		0.71 times	0.82 times

Except for the fulfillment of covenants of lending arrangement with financial institutions as disclosed in note 22 and licensed subsidiaries obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times, neither the Company nor any of its subsidiaries are subject to any other externally imposed capital requirements.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Categories of financial instruments

	2022 MOP'000	2021 MOP'000
Financial assets		
At amortised cost	759,157	605,939
At fair value through profit or loss	33	30
Financial liabilities		
At amortised cost	564,641	590,110

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and bank balances and bank deposits is limited because the counterparties are banks for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 30% (2021: 38%) and 80% (2021: 60%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowance for expected credit losses for trade receivables and contract assets using lifetime ECLs, which is calculated using provision matrices. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

	Weighted average expected credit loss rate %	Gross carrying amount MOP'000	Loss allowance MOP'000
Within 1 month	0.7	20,040	140
1 to 3 months	1.0	72,026	720
3 to 6 months	1.5	136,904	2,027
6 to 12 months	1.7	173,791	3,026
Over 1 year but less than 2 years	4.0	155,902	6,236
Over 2 years but less than 3 years	100	12,924	12,924
		571,587	25,073

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2022:

	Weighted average expected credit loss rate %	Gross carrying amount MOP'000	Loss allowance MOP'000
Within 1 year	2.6	102,970	2,618
Over 1 year but less than 2 years	51.4	514	264
		103,484	2,882

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the recovery of the trade receivables and contract assets.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

	Weighted average expected credit loss rate %	Gross carrying amount MOP'000	Loss allowance MOP'000
Within 1 month	1.3	29,654	385
1 to 3 months	1.3	64,741	841
3 to 6 months	1.3	88,157	1,146
6 to 12 months	3.5	117,212	4,116
Over 1 year but less than 2 years	4.0	78,531	3,211
Over 2 years but less than 3 years	100	1,417	1,417
		379,712	11,116

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2021:

	Weighted average expected credit loss rate %	Gross carrying amount MOP'000	Loss allowance MOP'000
Within 1 year	1.2	67,725	817
Over 1 year but less than 2 years	1.5	477	7
		68,202	824

Expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material, over the expected lives of the trade receivables and contract assets.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset at amortised cost, including trade receivables and other receivables (excluding prepayment), pledged deposits, cash and bank balances in the consolidated statement of financial position. Except for the guarantees given by the Group as disclosed in note 30, the Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient cash and committed facilities to fund its operations and debt servicing requirements. Several existing loans facilities are subject to annual review by the banks upon its expiry in 2023. The directors of the Company is confident that such banking facilities will be renewal upon its expiry based on historical experience and longstanding and good relationship with the bank.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

Bank loans with a repayment on demand clause are included in the "within one year or on demand" time band in the following maturity analysis. At 31 December 2022, the aggregate undiscounted principal amount of the bank loans amounted to approximately MOP445,091,000 (2021: MOP499,273,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that the bank borrowings will be repaid by monthly installments after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows within 1 year or on demand will amount to MOP492,914,000 (2021: MOP549,589,000).

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

	At 31 December 2022					
	Carrying amount MOP'000	Total contractual undiscounted cash flow MOP'000	Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	More than 5 years MOP'000
Trade and other payables	79,496	79,496	79,496	–	–	–
Amounts due to directors	37,060	37,060	37,060	–	–	–
Bank loans and overdrafts	448,085	449,073	445,091	3,982	–	–
	564,641	565,629	561,647	3,982	–	–
Lease liabilities	13,804	15,191	7,528	3,887	3,776	–

	At 31 December 2021					
	Carrying amount MOP'000	Total contractual undiscounted cash flow MOP'000	Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	More than 5 years MOP'000
Trade and other payables	86,384	86,384	86,384	–	–	–
Amounts due to directors	4,453	4,453	4,453	–	–	–
Bank loans and overdrafts	499,273	499,273	499,273	–	–	–
	590,110	590,110	590,110	–	–	–
Lease liabilities	23,646	26,516	8,570	8,223	7,645	2,078

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and overdrafts. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2022		2021	
	Effective interest rate %	Amount MOP'000	Effective interest rate %	Amount MOP'000
Variable rate borrowings:				
Bank overdrafts	4.25% to 5.75%	19,215	4.25% to 5.75%	12,909
Bank loans	2% to 6.125%	428,870	1.739% to 5.5%	486,364
		448,085		499,273
Total borrowings		448,085		499,273

(ii) Sensitivity analysis

As at 31 December 2022, it is estimated that a increase/decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit after taxation for the year and total equity would have decreased/increased by approximately MOP3,742,000 (2021: MOP4,393,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense of such changes in interest rates. The analysis has been performed on the same basis as 2021.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollar or Macau Pataca which is pegged to Hong Kong dollar.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at the end of the reporting period.

28. MATERIAL RELATED PARTY TRANSACTIONS

In addition to transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Group and their emoluments are disclosed in note 9.

(b) Balance with related parties

The amounts due to directors as at 31 December 2022 and 2021 are unsecured, non-interest bearing, and repayable on demand.

29. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in these financial statements were as follows:

	2022 MOP'000	2021 MOP'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	13,043	13,043

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group entered into a number of lease arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately MOP683,000 (2021: MOP25,410,000) were recognised at the commencement of the leases.

During the years ended 31 December 2022, the Group early terminated a number of lease contracts, the respective right-of-use assets and lease liabilities of approximately MOP3,837,000 (2021: MOP745,000) and MOP4,000,000 (2021: MOP152,000) respectively were derecognised resulting in a gain on early termination of lease of approximately MOP163,000 (2021: loss of MOP593,000) recognised in profit or loss.

31. BUSINESS COMBINATIONS

On 21 February 2022, the Group through a subsidiary, Space Financial Holdings Limited ("SFH") entered into a sales and purchase with a third party, namely Mr. Leong Lap Kun, pursuant to which the Group agreed to acquire all issued share capital of Advent Corporate Finance Limited. The Group obtained the control of Advent Corporate Finance Limited on 28 February 2022. The transaction was completed with a total consideration approximately of HK$31,891,000. The consideration comprises (i) the payment in cash amounted to HK$30,000,000 and (ii) 6.98% shareholdings of the SFH of approximately MOP991,000.

Advent Corporate Finance Limited ("Advent") is a limited company incorporated in Hong Kong and holds the Type 6 license issued by the Securities and Futures Commission (SFC) to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance. The acquisition was accounted for under the acquisition method. The acquisition of Advent was aimed at allowing the Group to extend its network of finance services and strengthen its core financial business and broaden its profit base.

(i) Details of net assets acquired and goodwill in respect of the acquisition of Advent at the acquisition date were as follows:

	2022 MOP'000
Purchase consideration	
– Cash	30,900
– 6.98% Equity instrument of SFH	991
	31,891
Less: fair value of net assets acquired	(11,210)
Goodwill on acquisition (note 17)	20,681

31. BUSINESS COMBINATIONS (Continued)

(i) (Continued)

The assets and liabilities of Advent at the acquisition date were as follows:

	2022 MOP'000
Property, plant and equipment	1,679
Trade and other receivables	7,475
Deferred tax assets	380
Intangible asset	1,803
Prepayments	180
Cash and cash equivalents	7,257
Trade and other payables	(764)
Lease liabilities	(1,642)
Bank loans and overdrafts	(5,158)
Net identifiable assets acquired	11,210

	2022 MOP'000
Purchase consideration settled in cash	30,900
Less: cash and cash equivalents acquired	(7,257)
Total net cash inflow for the year ended 31 December 2022	23,643

As at 31 December 2022, all the purchase consideration was fully settled.

(ii) Acquired receivables

At the date of acquisition, the fair value of acquired trade and other receivables was MOP7,475,000 and the gross contractual amount was approximately MOP9,763,000 with loss allowance of approximately MOP2,288,000.

(iii) Revenue and profit contribution

The mentioned acquired companies contributed revenues of MOP13,042,000 and net profit of MOP5,136,000 to the Group.

Had the acquisition been completed on 1 January 2022, total Group revenue for the period would have been approximately MOP487,008,000, and profit for the period would have been approximately MOP21,516,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 MOP'000	2021 MOP'000
Non-current asset		
Interests in subsidiaries	270,529	270,529
Current assets		
Other receivables	716	373
Amounts due from subsidiaries	91,052	89,566
Cash and bank balances	29	126
	91,797	90,065
Current liabilities		
Other payables	2,739	796
	2,739	796
Net current assets	89,058	89,269
NET ASSETS	359,587	359,798
CAPITAL AND RESERVES		
Share capital	8,302	8,302
Reserves	351,285	351,496
TOTAL EQUITY	359,587	359,798

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Reserves of the Company

	Share premium MOP'000	Accumulated loss MOP'000	Total MOP'000
Balance as at 31 December 2020 and 1 January 2021	245,822	(6,110)	239,712
Changes in equity for 2021:			
Profit for the year	–	366	366
Issue of shares	111,418	–	111,418
Balance as at 31 December 2021 and 1 January 2022	**357,240**	**(5,744)**	**351,496**
Changes in equity for 2022:			
Loss for the year	**–**	**(211)**	**(211)**
Balance as at 31 December 2022	**357,240**	**(5,955)**	**351,285**

33. DIVIDEND

No dividend was paid or proposed for the shareholders of the Company during the year 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

The consolidated results of Space Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 and the consolidated assets and liabilities of the Group as at 31 December 2022 are those set out in the audited financial statements.

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published audited financial statements and the annual report of the Company for the year ended 31 December 2022, is set out below:

The summary below does not form part of the audited financial statements.

		Year ended 31 December				
	Notes	2022 MOP'000	2021 MOP'000	2020 MOP'000	2019 MOP'000	2018 MOP'000
RESULTS						
Revenue	1	**477,128**	523,278	400,016	451,904	405,742
Gross profit	1	**118,341**	134,725	76,287	107,519	106,567
Profit before tax		**23,758**	61,285	45,661	72,904	72,978
Income tax expenses	1, 2	**3,270**	9,601	6,265	10,949	11,377
Profit for the year		**20,488**	51,684	39,396	61,955	61,601

		As at 31 December				
	Notes	2022 MOP'000	2021 MOP'000	2020 MOP'000	2019 MOP'000	2018 MOP'000
ASSETS AND LIABILITIES						
Total assets	1, 2	**1,256,904**	1,264,969	979,790	735,363	594,859
Total liabilities	1, 2	**627,965**	658,136	536,470	331,449	272,844

Notes:

1. As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

2. The Group adopted HKFRS 9, *Financial instruments* from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

For the year ended 31 December 2022

Particulars of the principal properties in Macau held by the Group as at 31 December 2022 are as follows:

Properties under construction

Location	Use	Approximate gross floor area (sq.ft.)	Project status	Attributable percentage interest
A development site located at Rua Do Caetano No. 23, 25 and 27, 32, 34, Coloane, Macau	Office use	3,294	Under construction	100%

The properties were under construction as at the date of this annual report and is expected to complete in 2025.