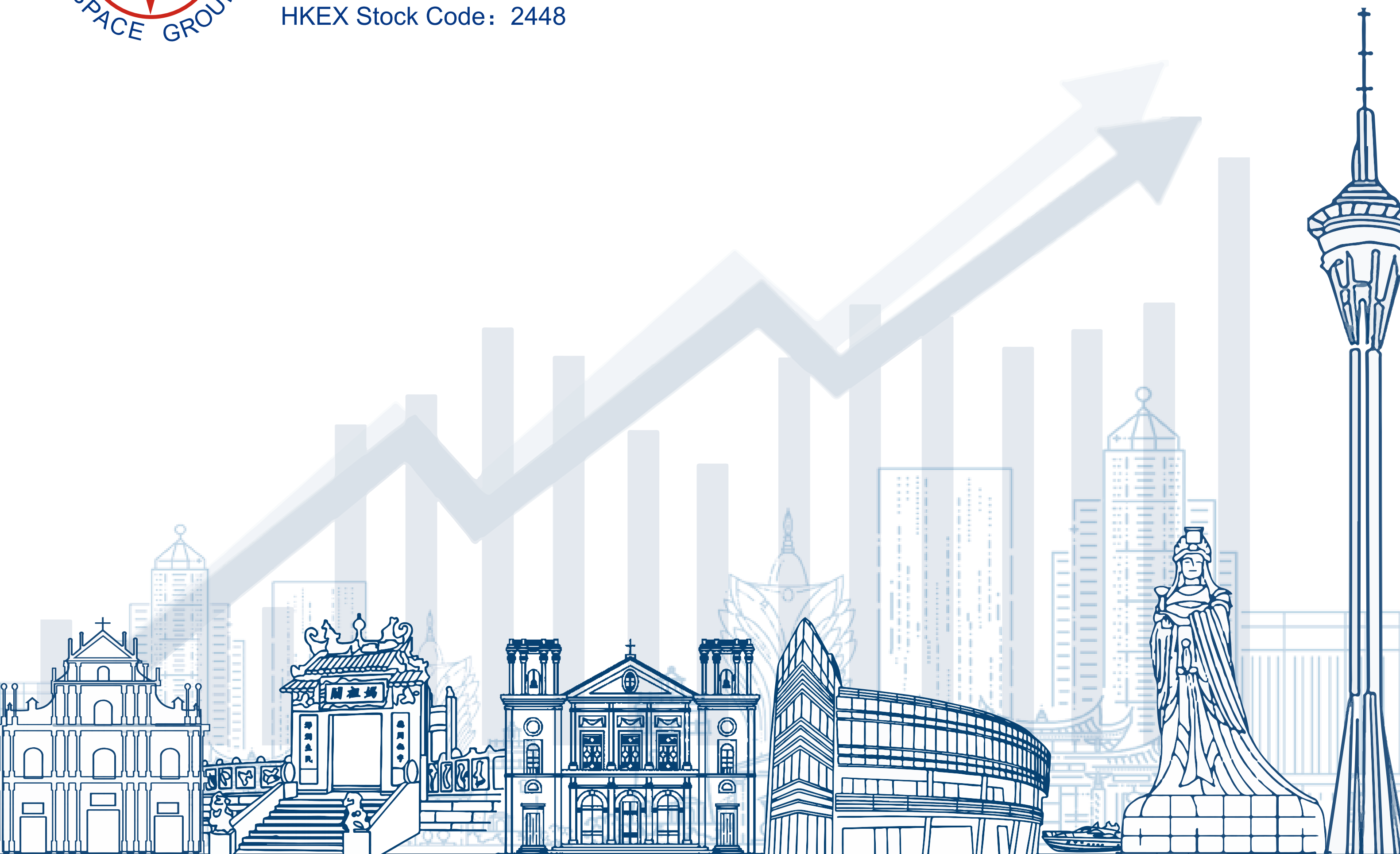
恆宇集團控股有限公司

Space Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

HKEX Stock Code：2448



2021

年報

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Fan Chun Wah, Andrew
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

AUDIT COMMITTEE

Mr. Fan Chun Wah, Andrew *(Chairman)*
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

REMUNERATION COMMITTEE

Mr. Eulógio dos Remédios, José António *(Chairman)*
Ms. Leong Iat Lun
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. Fan Chun Wah, Andrew

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
CHEUNG & CHOY

STOCK CODE

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

WEBSITE

spacegroup.com.mo

For and on behalf of the board of directors (the "Board"), I would like to present the annual report of Space Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

RESULT ANALYSIS AND BUSINESS REVIEW

In the few years since its listing, our Group has experienced the ups and downs of the global economy but it has been able to forge ahead with unfailing faith and perseverance, enabling our Group's business to grow steadily.

Our Group has always been customer-oriented and aims to build good relationships with investors, customers, employees and the community at large. Our Group has developed into a diversified conglomerate from renovation to financial services, with the support and cooperation of all parties in Hong Kong and China.

In the renovation segment, our Group's revenue for the year ended 31 December 2021 was approximately MOP523.3 million, which was approximately MOP400.0 million as compared to the previous year. For the renovation business, our Group continued to capitalize on opportunities in the Greater Bay Area, such as Macau and Hong Kong and has received significant new renovation and construction contracts in the past year.

At the same time, our Group has been actively expanding our financial services business in the Greater Bay Area and our services are well recognized by its clients and partners. Our Group holds licences 1, 4 and 9 authorised by the SFC to provide IPO underwriting, book-running and share placement services to corporate clients as well as securities trading, investment advice and asset management services to investors.

In addition, our Group was granted a Qualified Foreign Limited Partner (QFLP) licence in 2021 which allows our Group to provide private equity fund management and venture capital fund management services across the country, providing foreign investors with a comprehensive range of equity investment channels and diversified products to help clients grow their assets.

Moreover, our Group signed a Memorandum of Understanding in late 2021 to acquire Advent Corporate Finance Limited ("Advent") and a sale and purchase agreement in late February of the following year to conditionally agree to acquire the entire shareholding of Advent. It will enable our Group to carry out activities under the type 6 of licenses recognised by the SFC and enable our Group to provide a full range of financial services to our clients. The senior management of Advent Corporate Finance Limited has extensive experience in corporate listings and corporate transactions and is qualified to act as a sponsor and or its compliance advisor in relation to applications for listing of new shares on the Stock Exchange. Its principal activities include assisting companies in launching initial public offerings of new shares, acting as independent financial adviser or financial consultant for various corporate advisory services, including providing acquisition and disposal, equity and debt financing, corporate restructuring and other financial advisory services to companies, and advising listed companies on compliance-related matters as required by the Listing Rules.

During the year, our Group actively expanded our financial business in the Greater Bay Area by adding offices in Hengqin, Qingdao, Taiyuan and Hefei. Our Group believes that this will link up the financial sectors in Hong Kong and China and hopes to capture business opportunities across the country.

While our Group is aware that the widespread impact of the COVID-19 remains uncertainty impact to the economy , we still have confident to the future as global economic activity recovers significantly due to the successive roll-out of vaccination programmes around the world and the strong support of fiscal and monetary policies.

APPRECIATION

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 to our Group.

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

Space Group Holdings Limited
Chairman
Che Chan U

Hong Kong, 11 March 2022

BUSINESS REVIEW

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

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

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

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

FINANCIAL REVIEW

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

Revenue

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

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

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

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

Gross Profit and Gross Profit Margin

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

Other Income and Gains, net

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

Administrative and Other Expenses

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

Finance Costs

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

Income Tax

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

Profit for the Year

Profit for the year increased by approximately 31.2% to approximately MOP51.7 million in 2021 from approximately MOP39.4 million in 2020, which was mainly attributable to the combined effect of the aforementioned items.

Total Comprehensive Income for the Year

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

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2021, the Group had an aggregate of pledged deposits, bank deposit, and cash and bank balances of approximately MOP216.0 million (2020: approximately MOP188.4 million), representing an increase of approximately 14.7% as compared to that as at 31 December 2020. As at 31 December 2021, bank deposits of approximately MOP119.4 million (2020: approximately MOP92.1 million) are pledged to secure banking facilities (including bank loans and overdraft and issuance of performance bonds).

Borrowings and Charges on the Group's Assets

As at 31 December 2021, the Group had bank loans and overdraft and other borrowings of approximately MOP499.3 million (2020: approximately MOP436.9 million) will be repayable within one year or on demand.

As at 31 December 2021, bank loans and overdraft and other borrowings of approximately MOP499.3 million (2020: approximately MOP425.1 million) were secured by land held by the Group, pledged deposits of the Group, corporate guarantees provided by the Company and certain subsidiaries of the Group and investment in an insurance contract.

As at 31 December 2021, the assets pledged to secure certain banking facilities granted to the Group amounted to approximately MOP232.3 million (2020: approximately MOP205.0 million).

Gearing Ratio

As at 31 December 2021, the gearing ratio (calculated by total debts divided by total equity; total debts include bank loans and overdrafts and other borrowings) decreased to approximately 0.820 (2020: approximately 0.986) mainly due to the increase of capital and reserves.

Treasury Policies

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

Foreign Currency Risk

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

Capital Structure

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

Capital Commitments

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

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities of approximately MOP13.0 million (2020: approximately MOP20.7 million). The decrease was primarily due to the decrease of bank guarantees given to potential customers for an invitation to tender.

Material Acquisitions and Disposals

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

Significant Investments Held

As at 31 December 2021, the Group held investment properties situated at Nos. 23, 25, 27, 32 and 34, Rua Du Cunha, Coloane, Macau. The properties are in the process of construction.

The Group also had an investment in an insurance contract which represented a life insurance policy for key management staff (the "Insurance Policy"). The Group is the beneficiary of the Insurance Policy. As at 31 December 2021, the Insurance Policy of MOP2.7 million was pledged to a bank to secure certain banking facilities of the Group, which included performance bonds and loan facilities granted to the Group.

Save as disclosed above, as at 31 December 2021, the Group had no other significant investments.

Future Plans for Material Investments

The Group did not have other plans for material investments and capital assets as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

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

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience. The remuneration package generally include 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 annual report, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND AND DIVIDEND POLICY

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

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

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

PROSPECTS AND STRATEGIES

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

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

Corporate Governance Report

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 reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules since 1 January 2021 and up to 31 December 2021 (the "Relevant Period").

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 six Directors and their respective role are as follows:

Executive Directors

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

Independent Non-executive Directors

Mr. Fan Chun Wah, Andrew
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			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Che Chan U	5/5	–/–	–/–	1/1
Ms. Lei Soi Kun	5/5	–/–	–/–	1/1
Mr. Ho Kwong Yu	5/5	–/–	1/1	–/–
Independent Non-Executive Directors				
Mr. Fan Chun Wah, Andrew	5/5	3/3	–/–	1/1
Mr. Eulógio dos Remédios, José António	5/5	3/3	1/1	1/1
Ms. Leong Iat Lun	5/5	3/3	1/1	1/1

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.

DIRECTORS' TRAINING

Revised Code Provision A.6.5 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. A summary of professional training received by Directors for the year ended 31 December 2021 according to the records provided by the Directors is as follows:

	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. Ho Kwong Yu	✓
Mr. Fan Chun Wah, Andrew	✓
Mr. Eulógio dos Remédios, José António	✓
Ms. Leong Iat Lun	✓

BOARD DIVERSITY POLICY

During the year ended 31 December 2021, 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.

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. Fan Chun Wah, Andrew, Mr. Eulógio Dos Remédios, José António and Ms. Leong Iat Lun (all are independent non-executive Directors). Mr. Fan Chun Wah, Andrew currently serves as the chairman of the Audit Committee. Pursuant to the meeting of the Audit Committee, the Audit Committee reviewed, among other things, the audited financial statements for the year ended 31 December 2021 with recommendations to the Board for approval and discussed with the management and the external auditor the accounting policies and practices which may affect the Group, the report prepared by the external auditor covering major findings in the course of the audit and the accounting and financial reporting matters.

During the year ended 31 December 2021, the Audit Committee held 3 meetings.

The annual results for the year ended 31 December 2021 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 one executive Director, namely 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 11 March 2022, 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.

During the year ended 31 December 2021, the Remuneration Committee held 1 meeting. 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 2021 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 2021 is set out below:

Remuneration bands	Number of person(s)
Nil to HK$500,000	1
HK$500,001 to HK$1,000,000	5
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. Fan Chun Wah, Andrew, 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 2021, the Nomination Committee held 1 meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 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 5 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 2021 and their effectiveness. 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 2021 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 2021. 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 2021.

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.

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 2021 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 49 to 54 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 2021, services provided to the Company by its external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), and the respective fees paid were:

	2021 MOP'000
Audit services	**1,200**

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.

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 2021.

ABOUT THE COMPANY

The Group mainly undertakes fitting-out projects and building construction projects for private companies, including hotels and casinos, restaurants and retail shops, as well as other properties. Following the acquisition of Space Securities Limited and Space Asset Management Limited, the Group is also engaged in the provision of financial services.

The Board of the Company has the overall responsibility of overseeing the Group's ESG strategy, policies and reporting and also monitors the ongoing compliance and continuous improvement of the Group's operations in order to minimize any greenhouse gas emission on the environment through (i) the efficient operation of its offices and working environment; (ii) efficient use of energy and nature resources; and (iii) implementation of environmental friendly measures for sustainable development of the Group.

SCOPE OF THE ESG REPORT

This ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The data disclosed in the ESG report was collected from the main office of the Group in Macau and Hong Kong. These information are our foundation for formulating all short-term and long-term policies for the sustainable development of the Group.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

STAKEHOLDERS' FEEDBACK

We highly appreciate and welcome feedback from our stakeholders on the ESG Report so that we may meet their interests and expectations more accurately in our next report. Please forward any enquiry to Suite 1905–07, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

ENVIRONMENT

1. CORPORATE ENVIRONMENTAL POLICY AND COMPLIANCE

The Group admits the importance of maintaining environmental sustainability in its daily operations and strives to operate its business activities in compliance with all applicable national and regional rules and regulations from time to time. All the existing policies set up for staff to control the usage of petrol, electricity, paper and water consumption and procedures formed by the Group on any emissions and wastes treatment are in full compliance of all applicable national and regional environment protection rules and regulations. Our site managers are responsible for implementing these policies to ensure our sites are able to comply with the environmental related rules applicable to their locations. The following lists are some major rules and regulations which had been complied with by the Group:

(i) Environmental Law of Macau; and

(ii) the Law of Prevention of Ambient Noise in Macau.

2. EMISSIONS

2.1 Greenhouse Gases Emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2021, the Group's total GHG emissions amounted to approximately 134.56 tonnes and the total GHG emission per employee was 1.68 tonnes/employee. The detailed summary of the GHG emission is shown as below:

GHG Performance Summary:

GHG Scope[1]	2021 Tonnes	2020 Tonnes
Direct GHG emission (Scope 1) – petrol consumption	60.4	61.95
Indirect GHG emission (Scope 2) – electricity consumption	56.8	58.2
Other indirect GHG emission(Scope 3) – paper and water consumption	0.14	0.11
Total GHG emission	117.34	120.26
Intensity (tonnes/employee)	1.47	1.48

Note:

1. GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development.

The Group has implemented a number of measures to mitigate energy consumption such as turning off the air-conditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office; the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management. The total GHG emission of the Group is 2.92 tonnes lower when compared with last year.

2.2 Solid Wastes

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper and toner cartridges. During the year ended 31 December 2021, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	2021 Quantity	2020 Quantity	Unit
Paper	21	21	Kilogram
Toner cartridge	5	5	Pieces
Intensity – Unit per employee	0.3	0.3	

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities. The intensity of unit per employee from non-hazardous waste is same as last year.

3. USE OF RESOURCES

The Group understands that the building materials adopted by the Group will directly affect the quality of the building and its surrounding environment, so a number of environmental procurement measures have been taken.

The Group purchases and selects environmental friendly indoor and outdoor building materials, which can provide a comfortable environment and save natural resources at the same time. Also, the Group will select local material at a higher priority and consider recycling to reduce the carbon emission and construction waste generated from transportation.

The volume of energy consumption, electricity consumption and water consumption of the Group are considered as relatively low. The Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2021, the Group's consumption in petrol and electricity were:

Energy Type	2021 Quantity	2020 Quantity	2021 Intensity – Unit per employee	2020 Intensity – Unit per employee	Unit
Petrol	22,800	23,700	285.0	292.6	Litre
Electricity	79,200	80,587	990.0	994.9	kWh

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water Consumption and Use of Packaging Materials

During the year ended 31 December 2021, the Group consumed 1,720 tonnes (2020: 1,330 tonnes) of water and the water consumption per employee was 21.5 tonnes (2020: 16.4 tonnes). As compared to the tiny amount of water consumption generated from office operations, the Group's mainly water consumption from construction sites include muddy water, wastewater from rinsing the cement system, cooling water of machineries and wastewater from rinsing of ground surface. No issue in sourcing water is noted for the year ended 31 December 2021.

To reduce the use of water, the Group has implemented preventive measures and monitored the water consumption in construction sites by regular frequency.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

4. ENVIRONMENT AND NATURAL RESOURCES

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources, such as emissions of greenhouse gases, solid wastes and use of resources. Though we are not in a pollution intensive industry, we pay high attention to the impacts of our working process to the environment and adopt measures that would reduce generation of pollutants, properly handle residual materials and lower the consumption of resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability. The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimizes such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

The Group understands that effective project management would ensure efficient use of resources. Therefore, many environmental-friendly construction measures have been taken. The Group strictly implements the building energy conservation regulations promulgated by the government, and continuously improves project management to minimize unnecessary power and water consumption in the project.

The Group supports waste management and waste reduction, and adopts a hierarchical system, namely, to avoid waste generation first, and to reuse resources and recycle the resources as much as possible before considering waste disposal. For construction waste, timely treatment is the basic requirement of clean and clean environment. The group has formulated the disposal plan of mud and waste residue, which requires the subcontractor to collect the construction waste in a centralized, simple classification and centralized external transportation, and promptly clean up the construction waste. The mud must be processed by the qualified transportation unit after drying in the field, so as to prevent the random dumping of construction waste in the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2021, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

SOCIETY

1. EMPLOYMENT

General Disclosure

Employee Benefits and Equal Opportunities Policies

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2021, the Group has fully complied with relevant rules and regulations in Macau, Hong Kong and PRC, including Law No.4/98/M (Framework Law on Employment Policy and Worker's Rights), Law No.7/2008 (Labor Relation Law), Decree Law No.58/93/M (approval of social security regime) and the other relevant rules.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains polices in regards to recruitment, promotion, discipline, equal opportunity, diversity, anti-discrimination, other benefits and welfare, working hours and leave. These policies have been implemented by the human resources department in a fair way to all staff. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

Following is the information of the total workforce and turnover rate of the Group covering all its subsidiaries in Macau, Hong Kong and China during the financial year ended 31 December 2021:

	2021
Number of employees	80
By gender –	
Male	40
Female	40
By employee category –	
Administrative	15
Technical	13
Operational	31
Professional/specialist	21
	% of total workforce
By age group –	
≤ 25 years of age	4%
> 25 to 50 years of age	78%
> 50 years of age	18%
By geographic location –	
Macau	31%
Hong Kong	49%
The PRC	20%
By employee turnover rate –	
Macau	
Recruitment in the year	30%
Resigned in the year	18%
Hong Kong	
Recruitment in the year	29%
Resigned in the year	38%
The PRC	
Recruitment in the year	16%
Resigned in the year	8%

During the year ended 31 December 2021, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

2. HEALTH AND SAFETY

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

The Group strictly abide by the relevant laws and regulations of Macau, Hong Kong and PRC under certain health and safety regulations. We are committed to ensuring that our employees and subcontractors work in a safe and healthy environment, and we regard occupational health and safety as the primary task of maintaining our reputation.

We have established and maintained a safety management system in Macau according to the OHSAS 18001 international standard. Our 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. It aims to provide information, training and supervision through the screening of risk and crisis control risk levels of different types of work, to enhance risk awareness and to better prepare for emergencies. We set up and maintain a safety management system for our Macau operation, and properly manage any violation of the system and to take remedial measures after the record and review so as to ensure site safety and health management are properly implemented in all the construction sites we managed and we complied with applicable laws and regulations.

Occupational Safety and Health Data

Total staff of the Group	80
The number of working days caused by accidents and diseases (professionalism) related to work	Nil

During the year ended 31 December 2021, the Group was not aware of any non-compliance with the health and safety laws and regulations.

3. DEVELOPMENT AND TRAINING

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group adheres to the "people-oriented" management concept. We built a multi-level, all-round, three-dimensional team with Space Group characteristics. This provide powerful talent support for sustainable development. We focus on the employees knowledge accumulation, professional skills development, and career planning. We provide a good working environment and practical training and also for the Group to build an energetic and positive working atmosphere. We established a good mechanism of cultivating and utilizing talents.

The Group encourages and supports the participation of employees in personal and professional training. We also encourage the culture of sharing of experience by organizing various forms of training form time to time to help employees for their career planning and improve their job performance.

Training information of the Group during the year ended 31 December 2021:

Staff general meetings	2 times (85% attendance)

4. LABOUR STANDARDS

The Group strictly prohibits employing any child labor or forced labor in its operations. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging suppliers and subcontractors which are already known to be employing child labor or forced labor in their operations.

The Group has complied with the relevant laws and regulations such as the Labor Relation Law, Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.

During the year ended 31 December 2021, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

5. SUPPLY CHAIN MANAGEMENT

The Group maintains an approved list of suppliers from Macau, Hong Kong and the People's Republic of China (the "PRC"). In selecting suppliers for a project, we evaluate them based on their scale of operation, our past experience in cooperation with them, their capability to comply with the specified project requirements, price quotation, and time required by them to provide the required materials. We also review and update such list on a continuous basis. Based on these factors, our procurement department will coordinate with our project manager to select supplier from the approved list of suppliers to further negotiate purchase terms, and our executive Directors will review and approve the proposed supplier purchase order forms before execution. Our quantity surveyor will also examine the quantity and quality of materials ordered and the timing of delivery to ensure that the delivery meets our project schedules.

The Group's procurement department is also responsible for organizing the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

	2021
Number of key suppliers	20

6. PRODUCT RESPONSIBILITY

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services. At the same time, we will continuously improve the customer service and complaint handling mechanism so as to protect the rights and interests of consumers, and provide customers with comfortable services.

The Group has established a system for the selection and management of subcontractors, including maintaining a list of approved subcontractors and regular inspection on the quality and progress performed by our project managers. In addition, our subcontractors must comply with the relevant laws and regulations relating to the safety and illegal labour of the site. We require the subcontractor to comply with and adopt all safety, building and structure measures and procedures specified in our safety management plan.

The Group extremely emphasizes the quality control of the property construction, including the purchase of building materials, external decoration, interior decoration and interior decoration materials and the machinery used on of construction projects, to ensure our quality standards. The Group focuses on project monitoring to ensure that all projects comply with our quality standards and compliance with relevant legislation and regulations.

Intellectual Property Management

The Group is very concerned about the protection of intellectual property rights, and ensures that no infringement of intellectual property rights of other enterprises or individuals during the entire product life cycle starting from the project design. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms as appropriate. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2021, the Group complies with relevant laws governing the confidentiality of data and intellectual property.

7. ANTI-CORRUPTION

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption, anti-extortion, anti-money laundering and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service".

The Company also communicates in-house rules and requirements, external laws and regulations to staff members through meetings and staff communication activities, etc. with a view to emphasizing compliance with relevant laws and regulations, upholding ethical standards and turndown of temptations to prevent corruption and money laundering activities. The Company has formulated relevant guidelines and monitor practices. These will be investigation upon receipt of any complaints of unethical behaviors. Any confirmed unethical conducts after investigation will be strictly handled according to rules and when in breach of law will be reported to local authorities in accordance with the relevant applicable laws.

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations of Macau, Hong Kong and the PRC.

During the year ended 31 December 2021, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

8. COMMUNITY INVESTMENT

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

The Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

BOARD OF DIRECTORS

Executive Directors

Mr. Che Chan U (謝鎮宇), aged 40, 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 63, 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. Ho Kwong Yu (何光宇), aged 36, 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.

Independent Non-executive Directors

Mr. Fan Chun Wah, Andrew JP (范駿華太平紳士), aged 43, 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 audit committee, and a member of the nomination committee.

Mr. Fan is a practicing certified public accountant in Hong Kong with over 15 years of experience. He holds a Bachelor Degree of Business Administration (Accounting and Finance) from The University of Hong Kong and a Bachelor Degree in Laws from the University of London. Mr. Fan is a member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a committee member of the tenth to twelfth Chinese People's Political Consultative Conference of the Zhejiang Province, the fourth and fifth Chinese People's Political Consultative Conference of Shenzhen and the Tenth Vice Chairman of Zhejiang Province United Young Association.

Mr. Fan is currently an Independent Non-executive Director of Culturecom Holdings Limited (stock code: 343), Chuang's China Investments Limited (stock code: 0298), and Nameson Holdings Limited (stock code: 1982), all of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fan had been an Independent Non-Executive Director of Sinomax Group Limited from March 2014 to June 2020 (stock code: 1418), Universal Star (Holdings) Limited from April 2019 to October 2020 (stock code: 2346) and Fulum Group Holdings Limited (stock code: 1443) from October 2014 to May 2021, the shares of both companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited, and Sanbase Corporation Limited from December 2017 to December 2019 (stock code: 8501), CNC Holdings Limited from January 2018 to August 2020 (stock code: 8356) and Omnibridge Holdings Limited from 21 June 2017 to 30 November 2020 (stock code: 8462), the shares of which are listed on the GEM of the Stock Exchange of Hong Kong Limited.

Mr. Eulógio dos Remédios, José António (李秉鴻), aged 44, 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 47, 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. Lok Wai Tak (陸惠德)	67	Managing Director – Capital Investment	management of capital investment business of the Group	15 October 2020
Mr. Cheong Chio Kit (張潮杰)	36	Managing Director – Capital Investment	management of capital investment business of the Group	15 October 2020
Ms. Chan Hiu Wa (陳曉華)	28	Company Secretary	the company secretarial matters of the Group	24 June 2021
Mr. Ho King To (何景滔)	41	Deputy Chief Financial Officer	finance and accounting matters	10 August 2013
Mr. Ng Ka Fai Jeffrey (吳家輝)	42	Director – Securities and Asset Management	management of securities and asset management business of the Group	30 September 2020
Mr. Leong Tang Fu (梁燈富)	34	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. Lok Wai Tak (陸惠德), aged 67, is currently a director of Space Financial Holdings Limited ("Space Financial"), and is also appointed as the managing director of Space Financial in China. He joined us on 15 October 2020 and is mainly responsible for management of capital investment business of the Group. Mr. Lok is an active politician and businessman in Macau. He has engaged in properties and finance industries for 47 years with extensive 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 ("SAR"), a member of the Election Committee of the Thirteenth National People's Congress ("NPC") of Macau, a member of Standing Committee of the Shanxi Provincial Committee of the Chinese People's Political Consultative Conference ("CPPCC"), the president of the Associação Comercial de Fomento Predial de Macau, the president of Macau-Shanxi Economic and Trade Association, and the chairman of The International Real Estate Federation – China Macau Chapter.

Mr. Cheong Chio Kit (張潮杰), aged 36, 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 28, 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 41, 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. Ng Ka Fai Jeffrey (吳家輝), aged 42, is currently the director of Space Financial Holdings Limited and a director and responsible officer (as defined in the SFO, the "Responsible Officer") in Space Securities Limited and Space Asset Management Limited. He joined us on 30 September 2020 and is mainly responsible for the management of securities and asset management business of the Group. Mr. Ng holds a bachelor's degree in business administration from the University of Management and Technology.

Mr. Ng has over 15 years of experience in dealing in securities. Mr. Ng has joined Space Securities Limited and Space Asset Management Limited since July 2018 and January 2020, respectively, as their respective executive director and Responsible Officer overseeing the operation. Mr. Ng is a licensed person under the SFO who is permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (asset management) regulated activities as defined in the SFO.

Mr. Leong Tang Fu (梁燈富), aged 34, 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 8 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.

Report of the Directors

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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 55 of this annual report.

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

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 11 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 2021 are set out in the consolidated statement of changes in equity on page 59.

MATERIAL INVESTMENT AND ACQUISITION

During the year ended 31 December 2021, 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 2021 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 13 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 2021 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. Ho Kwong Yu

Independent Non-executive Directors
Mr. Fan Chun Wah, Andrew
Mr. Eulógio dos Remédios, José António
Ms. Leong Iat Lun

In accordance with the Company's Articles of Association, 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. Che Chan U and Ms. Lei Soi Kun 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.

Each of the independent non-executive Directors have been appointed 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.

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]	543,100,000 Shares (L)	67.38%
Lei Soi Kun ("Ms. Lei")	Interest held jointly with another person; interest in a controlled corporation[2]	541,500,000 Shares (L)	67.18%

Notes:

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

(2) The Company was held as to approximately 67.18% by Space Investment (BVI) Ltd ("Space Investment"). Space Investment is held as to 94.74% by Mr. Che and 5.26% by Ms. Lei.

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 as the Board may determine to the following persons (the "Eligible Participants"): (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; (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are: (aa) contribution to the development and performance of the Group; (bb) quality of work performed for the Group; (cc) initiative and commitment in performing his/her duties; and (dd) length of service or contribution to the Group.

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 80,600,000 Shares, being 10% of the shares in issue of the Company.

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]	541,500,000 Shares (L)	67.18%
Ng Lai Kuan ("Ms. Ng")	Interest of spouse[3]	543,100,000 Shares (L)	67.38%

Notes:

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

(2) Space Investment is directly interested in 67.18% 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 2021.

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 2021.

RELATED PARTY TRANSACTIONS

Significant related party transactions made during the year ended 31 December 2021 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 2021 or at any time during the year ended 31 December 2021.

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 2021. 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 2021.

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 2021.

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 2021, the Group had not entered into any connected transaction which is required to be disclosed under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the year ended 31 December 2021 is set out in the sections headed "Corporate Governance Report" on pages 12 to 21 of this annual report.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 90.3% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for approximately 37.8%.

During the year ended 31 December 2021, purchase from the Group's five largest suppliers accounted for approximately 62.2% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for approximately 21.8%.

During the year ended 31 December 2021, subcontracting fees paid/payable to the Group's five largest subcontractors accounted for approximately 97.5% of the Group's total subcontracting fees and subcontracting fees paid/payable to the Group's largest subcontractor accounted for approximately 62.5%.

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 133.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the 2022 AGM of the Company to be held on 24 June 2022 (Friday), the register of members of the Company will be closed from 21 June 2022 (Tuesday) to 24 June 2022 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2022 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 June 2022 (Monday).

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, 11 March 2022

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43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 55 to 132, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 note 2(w), 3(b) and 4 to the consolidated financial statements and the accounting policies on page 84.

The key audit matter	How the matter was addressed in our audit
The Group recognised revenue from the provision of fitting-out works and building construction works approximately MOP483,925,000 for the year ended 31 December 2021. 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 payment applications from the in-house surveyor 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(j)(i), 2(k), 2(l), 3(a), 18, 19 and 27(a) to the consolidated financial statements and the accounting policies on pages 74 to 76.

The key audit matter

At 31 December 2021, the Group recognised trade receivables, net of allowance, of MOP368,596,000 and contract assets of MOP67,378,000, which represented 35% 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.

How the matter was addressed in our audit

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 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 reasonableness of management's grouping of trade debtors into different categories of revenue in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion in those statements on 19 March 2021.

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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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
11 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(Expressed in Macau Pataca)

	Notes	2021 MOP'000	2020 MOP'000
Revenue	4	**523,278**	400,016
Cost of revenue		**(388,553)**	(323,729)
Gross profit		**134,725**	76,287
Other income and gains, net	5	**2,598**	5,376
(Impairment losses)/reversal of impairment loss of financial assets and contract assets		**(8,526)**	864
Administrative and other expenses		**(50,897)**	(23,490)
Profit from operations		**77,900**	59,037
Finance costs	7	**(16,615)**	(13,604)
Share of results of associates	16	**–**	228
Profit before taxation	6	**61,285**	45,661
Income tax expense	8	**(9,601)**	(6,265)
Profit for the year		**51,684**	39,396
Attributable to:			
Equity shareholders of the Company		**51,825**	39,396
Non-controlling interests		**(141)**	–
Profit for the year		**51,684**	39,396
Earnings per share – Basic and diluted	12	**MOP0.07**	MOP0.05

The notes on pages 61 to 132 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Macau Pataca)

	2021 MOP'000	2020 MOP'000
Profit for the year	**51,684**	39,396
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss		
Exchange differences on the translation of operations based outside Macau	**(63)**	(93)
Release of exchange reserve upon the disposal of a subsidiary	**–**	103
Other comprehensive income for the year, net of income tax	**(63)**	10
Total comprehensive income for the year	**51,621**	39,406
Attributable to:		
– Owners of the Company	**51,762**	39,406
– Non-controlling interests	**(141)**	–
Total comprehensive income for the year	**51,621**	39,406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Macau Pataca)

	Notes	2021 MOP'000	2020 MOP'000
Non-current assets			
Property, plant and equipment	13(a)	37,141	3,599
Investment properties	14	110,210	110,210
Investment in an associate	16	–	–
Investment in an insurance contract	17	2,744	2,658
Other non-current assets		812	812
Deferred tax assets	23	1,072	–
		151,979	117,279
Current assets			
Contract assets	18	67,378	31,306
Trade and other receivables	19(a)	389,925	413,424
Prepayments	19(b)	439,643	219,855
Amount due from a director	28(c)	–	9,534
Financial assets at fair value through profit or loss		30	28
Pledged deposits	20(d)	119,352	92,133
Cash and Bank balance	20(a)	96,662	96,231
		1,112,990	862,511
Current liabilities			
Trade and other payables	21	86,384	62,370
Bank loans and overdrafts and other borrowings	22	499,273	436,913
Lease liabilities	13(b)	7,604	1,693
Amounts due to directors	28(c)	4,453	–
Tax payable		41,415	31,296
		639,129	532,272
Net current assets		473,861	330,239
Total assets less current liabilities		625,840	447,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021
(Expressed in Macau Pataca)

	Notes	2021 MOP'000	2020 MOP'000
Non-current liabilities			
Lease liabilities	13(b)	16,042	1,514
Deferred tax liabilities	23	2,965	2,684
		19,007	4,198
NET ASSETS		606,833	443,320
CAPITAL AND RESERVES			
Share capital	25	8,302	7,828
Reserves		598,623	435,443
Equity attributable to owners of the Company		606,925	443,271
Non-controlling interests		(92)	49
TOTAL EQUITY		606,883	443,320

The consolidated financial statements on pages 55 to 132 were approved and authorised for issue by the board of directors on 11 March 2022 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 2021
(Expressed in Macau Pataca)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000	Other reserve MOP'000	Exchange reserve MOP'000	Retained profits MOP'000	Total MOP'000	MOP'000	MOP'000
At 1 January 2020	7,828	245,822	150	(8,388)	(10)	158,463	403,865	49	403,914
Changes in equity for 2020:									
Profit for the year	–	–	–	–	–	39,396	39,396	–	39,396
Other comprehensive income	–	–	–	–	10	–	10	–	10
Total comprehensive income for the year	–	–	–	–	10	39,396	39,406	–	39,406
At 31 December 2020	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

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 2021
(Expressed in Macau Pataca)

	Note	2021 MOP'000	2020 MOP'000
OPERATING ACTIVITIES			
Cash used in operations	20(b)	(115,326)	(72,186)
Interest received		1,316	–
Income tax paid		(273)	(496)
NET CASH USED IN OPERATING ACTIVITIES		(114,283)	(72,682)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		(16,420)	(80)
Interest received from banks		548	507
Proceeds from the disposal of subsidiaries		2,000	6,892
Repayment from (advance to) directors		9,534	(12,362)
Acquisition of subsidiaries	31	(2,924)	2,662
Purchase of financial assets at fair value through profit or loss		–	(28)
NET CASH USED IN INVESTING ACTIVITIES		(7,262)	(2,409)
FINANCING ACTIVITIES			
Drawdown of bank loans and other borrowings		1,156,942	771,132
Issue of ordinary share		111,892	–
Advance from directors		4,453	–
Repayment of bank loans and other borrowings		(1,074,761)	(559,272)
Interest paid		(16,615)	(12,721)
Increase in pledged deposits		(27,219)	(50,461)
Payment for lease liabilities		(4,881)	(2,024)
NET CASH FROM FINANCING ACTIVITIES		149,811	146,654
NET INCREASE IN CASH AND CASH EQUIVALENTS		28,266	71,563
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		54,457	(17,106)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20(a)	82,723	54,457

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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 2021:

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

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

New and amendments to HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

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

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

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

The Group's net cash used in operating activities was resulted from the longer collection period on its trade receivables, as compared to the shorter settlement pattern of its accounts and other payables, leading to the use of short term banking facilities to finance its working capital. As at 31 December 2021, bank loans and overdrafts amounting to MOP499,273,0000 which have repayable on demand clauses and have been classified under current liabilities on the consolidated statement of financial position. Certain banking facilities were secured against the Group's pledged deposits of MOP119,352,000 and bank loan of MOP46,402,000 was secured against the Group's investment properties with carrying values of MOP110,210,000 as at 31 December 2021.

The directors of the Company have given careful consideration of the liquidity requirements for the Group's operations, the performance of the Group and available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern basis. The Directors have reviewed the Group's cash flow projections prepared by management which covers a period of twelve months from 31 December 2021. The directors of the Company have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

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

Several existing loan facilities are subject to annual review by the banks and currently under review by the bank upon its expiry in 2022. Given the longstanding and good relationship with the banks, the management of the Company is confident that such banking facility will be renewed upon its expiry.

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

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

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

The directors of the Company, after due consideration of the basis of the plans and measures as described above as well as the reasonable possible downside changes to the cash flow assumptions, are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for at least in the next twelve months from 31 December 2021. Accordingly, the directors of the Company considered it appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

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

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

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

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

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

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

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

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

(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.

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.

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

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

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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint arrangement or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had disposed of the related assets or liabilities.

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.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, 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.

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

(d) Business combinations (Continued)

Acquisition-related costs are expensed 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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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

(e) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Investment in an associate is accounted for using the equity method and is initially recorded at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss and adjust thereafter for the post-acquisition changes in the Group's share of the associate's net assets. The consolidated statement of profit and loss includes the Group's share of post-acquisition, post-tax results of the associates and any impairment losses for the year. The consolidated statement of profit or loss and other comprehensive income includes the Group's share of the post-acquisition, post-tax items of the associate's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate . For this purpose, the Group's interest in the associate is the carrying amount of the investment using the equity method together with the Group's long-term interests that in substance form part of the Group's net interest in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the profit or loss where appropriate.

When the group ceases to equity account for an associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

Adjustments are made to the financial statements of the associate when necessary to align its accounting policies to ensure consistency with policies adopted by the Group.

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)(ii)).

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. An asset's carrying amount is written down immediately to its estimated recoverable amount if its estimated recoverable amount is lower than its carrying amount.

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)(ii)).

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 (see note 2(v)(ii)).

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 non-current assets

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.

– *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")).

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

(j) Impairment of assets (Continued)

(ii) Impairment of non-current assets (Continued)

– *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.

(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 within 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 and associates, and interests in joint ventures, 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 and interests 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 and building construction 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 and building construction works is recognised over time using the output method, i.e. based on direct measurements of the value to 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(t).

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

(w) Revenue and other income (Continued)

(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.

(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.

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

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 2021, the Group recognised trade receivables, net of allowance, of MOP368,596,000 (2020: MOP341,441,000, net of allowance of MOP338,642,000) and contract assets of MOP67,378,000 (2020: MOP31,306,000).

(b) Revenue recognition of construction contracts

As explained in policy note 2(v), 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 stage issued by the customers or payment applications from the in-house surveyor 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) Determination of lease term

The lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(d) 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.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

In 2021 and 2020, the principal activities of the Group are the carrying out of fitting-out and building construction works and provision of financial services.

(i) Disaggregation of revenue

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

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2021			
Revenue from contract with customers within the scope of HKFRS 15			
Revenue from fitting-out works contracts	483,925	–	483,925
Fees and commission income from financial services	–	38,037	38,037
	483,925	38,037	521,962
Revenue from other source			
Interest income from margin financing	–	1,316	1,316
Total	483,925	39,353	523,278

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue by timing of recognition:

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2021			
At a point in time	–	35,462	35,462
Over time	483,925	2,575	486,500
	483,925	38,037	521,962

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2020			
At a point in time	–	1,579	1,579
Over time	398,437	–	398,437
	398,437	1,579	400,016

Fitting-out works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works varies from 1 to 24 months (2020: from 1 to 40 months).

Financial services represent performance obligations that the Group satisfies i) at a point in time upon the execution of the underlying transaction or ii) over time as the Group provides asset management services and the customer simultaneously receives and consumes the benefit provided by the Group.

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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is MOP1,916,459,000 (2020: MOP439,812,000). This amount represents revenue expected to be recognised in the future from 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 (2020: 5 to 35 months).

The financial service contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

(b) Segment information

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

– Fitting-out works: this segment is involved in the execution of fitting-out works, including procurement of materials, site supervision, management of subcontractors, overall project management, interior decorative and modification works for existing buildings.

– Financial services: this segment is involved in the provision of securities brokerage services, underwriting services, margin financing and money lending and securities and asset management advisory services to customers.

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

(i) Segment results

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. The Group's CODM monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is gross profit.

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

Information regarding the performance of the Group's reportable segments for the years ended 31 December 2021 and 2020 is set out below.

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2021			
Segment revenue from external customers	483,925	39,353	523,278
Segment profit	100,686	34,039	134,725

	Fitting-out works MOP'000	Financial services MOP'000	Total MOP'000
For the year ended 31 December 2020			
Segment revenue from external customers	398,437	1,579	400,016
Segment profit	74,708	1,579	76,287

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

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

(iii) Geographical information

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

	Revenues from external customers		Specified non-current assets	
	2021 MOP'000	2020 MOP'000	2021 MOP'000	2020 MOP'000
Macau (place of domicile)	111,022	275,341	110,402	112,740
Hong Kong	412,256	120,887	15,645	1,881
Mainland China	–	3,788	22,116	–
	412,256	124,675	37,761	1,881
	523,278	400,016	148,163	114,621

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:

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

Notes:

The corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 December 2021.

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

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

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

5. OTHER INCOME AND GAINS, NET

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

Notes:

(i) Both the Macau government and the Hong Kong government have launched the Employment Support Scheme under the Anti-epidemic Fund to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. During the year ended 31 December 2021, the Company received government subsidies of a total of MOP1,487,000 (2020: MOP552,000). There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

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

6. PROFIT BEFORE TAXATION

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

		2021 MOP'000	2020 MOP'000
(a)	**Staff costs**		
	Contributions to defined contribution retirement plans	308	246
	Salaries, wages and other benefits	27,398	17,910
		27,706	18,156
	Less: Staff costs included in cost of sales	(4,556)	(6,070)
	Staff costs included in general and administrative expenses	23,150	12,086
(b)	**Other items**		
	Cost of construction, excluding staff costs	383,214	317,659
	Depreciation (Note 13)	7,695	2,393
	Auditors' remuneration	1,200	1,494
	Impairment losses/(reversal of) impairment losses of trade and other receivables and contract assets	8,526	(864)
	Expenses relating to leases of short-term leases	–	37
	Expense relating to a lease of low value asset	–	4
	Loss on early termination of leases	593	–
	Others	19,042	7,476
		420,270	328,199

7. FINANCE COSTS

	2021 MOP'000	2020 MOP'000
Interests on:		
– Bank loans and overdrafts and other borrowings	15,887	13,377
– Lease liabilities	728	227
	16,615	13,604

8. INCOME TAX

	2021 MOP'000	2020 MOP'000
Current tax – Macau Complementary Tax		
Provision for the year	7,579	5,082
Current tax – Hong Kong Profits Tax		
Provision for the year	2,813	1,190
Deferred Tax		
Origination and reversal of temporary differences	(791)	(7)
	9,601	6,265

Notes:

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

(ii) Macau Complementary Tax is calculated at 12% (2020: 12%) of the estimated assessable profits exceeding MOP600,000 (2020: MOP600,000) for the year ended 31 December 2021.

(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 the remaining assessable profits at 16.5%. Accordingly, the provision for Hong Kong Profits Tax for the years ended 31 December 2021 and 2020 is calculated in accordance with the two-tiered profits tax regime.

(iv) Corporate Income Tax in the People's Republic of China ("the PRC") for 2021 is calculated at 25% (2020: 25%). No corporate income tax has been provided because the entity in the PRC has no assessable profits for the years ended 31 December 2021 and 2020.

(a) Reconciliation between income tax and accounting profit at applicable tax rates

	2021 MOP'000	2020 MOP'000
Profit before taxation	61,285	45,661
Notional tax on profit before taxation calculated at the rates applicable to profits in the regions concerned	7,654	5,708
Tax effect of non-deductible expenses	2,424	416
Tax effect of non-taxable income	(17)	–
Tax effect of two-tiered profit tax rates regime	(170)	–
Tax losses not recognised for deferred tax purpose	–	648
Utilisation of previously unrecognised tax losses	(218)	(128)
Tax effect of tax exemption under Macau Complementary Tax	(72)	(379)
Income tax expense	9,601	6,265

9. DIRECTORS' EMOLUMENTS

Details of directors' emoluments were as follows:

	2021				
	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	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

	2020				
	Directors' fees MOP'000	Salaries, allowances and benefits in kind MOP'000	Discretionary bonus MOP'000	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]	–	1,351	200	2	1,553
Wan Yee Sang[2]	–	277	–	–	277
Independent Non-executive Directors					
Fan Chun Wah, Andrew	–	330	–	–	330
Eulógio dos Remédios, José António	–	120	–	–	120
Leong Iat Lun	–	120	–	1	121
Total	–	3,038	200	5	3,243

1 Appointed as an executive director with effect from 29 July 2020.

2 Resigned as an executive director with effect from 29 July 2020.

9. DIRECTORS' EMOLUMENTS (Continued)

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 2021 and 2020.

(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 2021 and 2020.

(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 2021 (2020: 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 2021 (2020: nil).

(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 2021 and 2020.

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

During the years ended 31 December 2021 and 2020, 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 his 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, two (2020: one) is the director of the Company whose emoluments are disclosed in note 9. The emoluments in respect of the three (2020: four) non-director individuals for the year ended 31 December 2021, were as follows:

	2021 MOP'000	2020 MOP'000
Salaries and other emoluments	1,888	2,476
Discretionary bonuses	158	256
Retirement benefit scheme contributions	3	4
	2,049	2,736

The emoluments of the three (2020: four) non-director individuals for the year ended 31 December 2021 were within the following emolument ranges:

	2021 Number of individuals	2020 Number of individuals
Nil to HK$1,000,000 (MOP1,030,000)	3	4

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. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2021			2020		
	Before-tax amount MOP'000	Tax expense MOP'000	Net-of-tax amount MOP'000	Before-tax amount MOP'000	Tax expense MOP'000	Net-of-tax amount MOP'000
Exchange differences on the translation of operations based outside Macau	(63)	–	(63)	(93)	–	(93)
Release of exchange reserve upon the disposal of a subsidiary	–	–	–	103	–	103

12. EARNINGS PER SHARE

(a) Basic earnings per share

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

Earnings

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

Weighted average number of ordinary shares

	2021 '000	2020 '000
Weighted average number of ordinary shares as at 31 December	792,641	760,000

(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.

13(a). PROPERTY, PLANT AND EQUIPMENT

	Land held for own use MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Right of use assets – buildings and car parks (note) MOP'000	Total MOP'000
Cost:					
As at 1 January 2020	–	913	43	7,701	8,657
Acquisition of subsidiaries	–	328	–	335	663
Additions	–	–	80	–	80
Disposals	–	–	–	(1,165)	(1,165)
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	1	3	5	174	183
As at 31 December 2021	15,540	1,713	540	29,842	47,635
Accumulated depreciation:					
As at 1 January 2020	–	445	43	2,183	2,671
Charge for the year	–	192	80	2,121	2,393
Disposals	–	–	–	(428)	(428)
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	8	–	1	22	31
As at 31 December 2021	1,656	998	192	7,648	10,494
Net book value:					
As at 31 December 2021	13,884	715	348	22,194	37,141
As at 31 December 2020	–	604	–	2,995	3,599

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 (2020: 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.

13(b). LEASE LIABILITIES

	2021 MOP'000	2020 MOP'000
Non-current	16,042	1,514
Current	7,604	1,693
	23,646	3,207

Amounts payable under lease liabilities

	2021 MOP'000	2020 MOP'000
Within one year	7,604	1,693
After one year but within two years	7,423	1,514
After two years but within five years	6,582	–
After five years	2,037	–
	23,646	3,207
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,604)	(1,693)
Amount due for settlement after 12 months	16,042	1,514

The total cash outflow of lease for the year ended 31 December 2021 was MOP5,609,000 (2020: MOP2,292,000).

14. INVESTMENT PROPERTIES

	2021 MOP'000	2020 MOP'000
As at 31 December	110,210	110,210

There were no unrealised gains of the investment properties for the years ended 31 December 2021 and 2020 recognised in the profit or loss as fair value gains on investment properties.

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 14(c) below.

14. INVESTMENT PROPERTIES (Continued)

b. Valuation process

The fair values of the Group's investment properties as at 31 December 2021 and 2020 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. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted. However, given the heterogeneous nature of real estate properties, significant adjustments are required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

		2021 and 2020		
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 Development profit	MOP40,000,000 20% on gross development value	The higher the estimated construction costs and development profit, the lower the fair value

Investment properties amounting to MOP110,210,000 (2020: MOP110,210,000) are pledged as security for the bank loans of the Group (Note 22).

15. INVESTMENT IN SUBSIDIARIES

The following list contains principal subsidiaries of the Group. 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
		2021 MOP	2020 MOP	Group	Company	A subsidiary	
Space Construction (BVI) Ltd (note (i))	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. (note (i))	Macau	100,000	100,000	100%	0%	100%	Construction and engineering
Companhia Space Grupo Limitada (note (i))	Macau	50,000	50,000	100%	0%	100%	Inactive
Space Oriental Construction & Engineering Co., Ltd. (note (i))	Macau	100,000	100,000	100%	0%	100%	Construction and engineering
Minsang Oriental Limited (note (i))	Macau	100,000	100,000	100%	0%	100%	Construction and engineering
新時代智能建築工程有限公司 (note (i))	Macau	100,000	100,000	51%	0%	51%	Inactive
Space Building & Construction (Hong Kong) Limited (note (i))	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	10,300 (equivalent to HK$10,000)	10,300 (equivalent to HK$10,000)	100%	0%	100%	Construction and engineering
Space Securities Limited (note (i))	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 (note (i))	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
山西恒宇資本服務有限公司* (note (ii))	PRC	–	N/A	100%	0%	100%	Inactive
青島恒宇資本投資有限公司* (note (ii))	PRC	–	N/A	100%	0%	100%	Inactive
廣東恒宇資本投資有限公司* (note (ii))	PRC	–	N/A	100%	0%	100%	Inactive
安徽恒宇資本投資有限公司* (note (ii))	PRC	–	N/A	100%	0%	100%	Inactive
珠海恒聚建設工程有限公司* (note (ii))	PRC	–	N/A	100%	0%	100%	Inactive
恒宇創富（廣東）私募基金管理有限公司* (note (ii))	PRC	–	N/A	100%	0%	100%	Inactive

15. INVESTMENT IN SUBSIDIARIES (Continued)

Notes:

(i) These entities are domestic enterprises.

(ii) These entities are registered as a private limited company under the PRC law.

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

* These subsidiaries were set up by the Company in 2021.

16. INVESTMENT IN AN ASSOCIATE

	2021 MOP'000	2020 MOP'000
As at 1 January	–	11,257
Share of results of an associate (Note a)	–	228
Disposal of an associate	–	(11,485)
As at 31 December	–	–

Note:

(a) Pursuant to the share transfer agreements dated 27 December 2020, the Group disposed 15% of the total issued share capital of 60 Plus Smart Technology Co., Ltd at its carrying value. No gain or loss is recognised in the consolidated statement of profit or loss.

During the year ended 31 December 2020, no provision for impairment was recognised in the profit or loss.

17. INVESTMENT IN AN INSURANCE CONTRACT

	2021 MOP'000	2020 MOP'000
As at 1 January	2,658	2,573
Net increase in cash surrender value charged to profit or loss	78	82
Exchange differences	8	3
As at 31 December	2,744	2,658

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 2021, the Insurance Policy of MOP2,744,000 (2020: MOP2,658,000) 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 to the consolidated financial statements.

18. CONTRACT ASSETS

	2021 MOP'000	2020 MOP'000
Arising from performance under construction contracts	68,202	32,461
Less: loss allowance	(824)	(1,155)
Arising from performance under construction contract, net	67,378	31,306

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

	2021 MOP'000	2020 MOP'000
As at 1 January	1,155	1,094
(Reversal of impairment losses)/impairment losses	(331)	61
As at 31 December	824	1,155

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

Construction contracts

As at 31 December 2021, contract assets of MOP824,000 (2020: MOP1,155,000) were considered as impaired and were provided for.

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 MOP67,378,000 (2020: MOP16,323,000), which is within the normal operating cycle and is classified as current.

19(a). TRADE AND OTHER RECEIVABLES

	Notes	2021 MOP'000	2020 MOP'000
Trade receivables			
– Third parties	(i) and (ii)	377,145	338,874
– A related party	(iii)	2,567	2,567
Less: loss allowance		(11,116)	(2,799)
Trade receivables, net		368,596	338,642
Deposits		1,785	657
Other receivables, net	(iv) and (v)	19,544	74,125
		389,925	413,424

Notes:

(i) As at 31 December 2021, MOP58,000 (2020: MOP4,893,000) represents gross amount of trade receivables arising from financial service business, with loss allowance of MOPnil (2020: MOP12,000).

(ii) As at 31 December 2021, the gross amount of trade receivables from contracts with customers amounted to MOP379,654,000 (2020: MOP336,548,000).

(iii) The related party is a company owned by Mr . Che Chan U, the director of the Group.

(iv) As at 31 December 2021 and 2020, the assets are expected to be recovered within one year.

(v) Other receivables included the receivable of MOP2,000,000 relating to the disposal of 珠海市恒宇建築工程有限公司, which was fully settled during the year ended 31 December 2021. Details of disposal are set out in note 5(ii).

As at 31 December 2021, loss allowance for other receivables was MOP723,000 (2020: MOP183,000). 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 other receivables during the year were as follows:

	2021 MOP'000	2020 MOP'000
As at 1 January	183	–
Impairment losses	540	183
As at 31 December	723	183

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:

	2021 MOP'000	2020 MOP'000
Within 1 month	29,654	48,816
1 to 3 months	64,741	46,712
3 to 6 months	88,157	61,467
6 to 12 months	117,212	148,409
Over 1 year but less than 2 years	78,531	34,706
Over 2 years but less than 3 years	1,417	1,331
	379,712	341,441

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

	2021 MOP'000	2020 MOP'000
As at 1 January	2,799	3,907
Impairment losses/(reversal of impairment losses)	8,317	(1,108)
As at 31 December	11,116	2,799

The balance represents amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 45 days from the date of invoice and therefore are all classified as current. The group assessed the expected credit loss of trade receivables based on the historical default credit experiences and forward-looking information that is available.

As at 31 December 2021, amount due from a related party of MOP2,567,000 (2020: MOP2,567,000), which is trade-related, unsecured, interest-free and due within 45 days from the date of invoice.

19(b). PREPAYMENTS

At 31 December 2021, the balances include prepayments of approximately MOP437,917,000 (2020: MOP218,408,000) 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	2021 MOP'000	2020 MOP'000
Cash at general accounts and on hand	(i)	95,632	87,187
Bank overdrafts (note 22)		(12,909)	(32,730)
Cash and cash equivalents in the consolidated statement of cash flows		82,723	54,457
Cash at general accounts and on hand	(i)	95,632	87,187
Cash at segregated accounts	(ii)	1,030	9,044
Cash and bank balances in the consolidated statement of financial position		96,662	96,231

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 used in operations

	Notes	2021 MOP'000	2020 MOP'000
Profit before taxation		61,285	45,661
Adjustments for:			
Interest income	5	(1,864)	(507)
Finance costs	7	16,615	13,604
Depreciation	6(b)	7,695	2,393
Net change in cash surrender value of investment in an insurance contract		(78)	(85)
Share of result of an associate		–	(228)
Impairment loss/(reverse of impairment) of trade and other receivables and contract assets		8,526	(864)
Fair value change in investment		(2)	–
Gain on disposal of subsidiaries		–	(3,695)
Loss on early termination of leases		593	–
Income relating to rental concession		–	(61)
Gain on bargain purchase of subsidiaries		–	(65)
Changes in working capital:			
(Increase)/decrease in contract assets		(35,741)	12,456
Decrease (increase) in trade and other receivables		12,481	(50,121)
Increase in prepayment		(219,788)	(159,879)
Decrease (increase) in bank balances – segregated accounts		8,014	(9,044)
Increase in trade and other payables		26,938	78,249
Cash used in operations		**(115,326)**	**(72,186)**

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

(c) Reconciliation of liabilities arising from financing activities

	2021			
	Bank loans and other borrowings 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 and other borrowings	1,156,942	–	–	1,156,942
Repayment of bank loans and other borrowings	(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

	2020			
	Bank loans and other borrowings MOP'000	Amount due to a director MOP'000	Lease liabilities MOP'000	Total MOP'000
As at 1 January	192,158	2,828	5,682	200,668
Cash flows in financing activities:				
Drawdown of bank loans and other borrowings	771,132	–	–	771,132
Repayment of bank loans and other borrowings	(559,272)	–	–	(559,272)
Interest paid	(12,494)	–	(227)	(12,721)
Payment for lease liabilities	–	–	(2,024)	(2,024)
Non-cash movements	12,659	(2,828)	(224)	9,607
As at 31 December	404,183	–	3,207	407,390

(d) Reconciliation of liabilities arising from financing activities

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

21. TRADE AND OTHER PAYABLES

	2021 MOP'000	2020 MOP'000
Trade payables	19,916	40,445
Retention payables (note (ii))	13,978	14,012
Contract liabilities	13,390	1,249
Other payables and accruals	39,100	6,664
	86,384	62,370

Notes:

(i) Save as disclosed in note 21(ii) below, all trade and other payables are expected to be settled within one year.

(ii) Except for an amount of MOP nil (2020: MOP17,000), all of the remaining balances are expected to be settled within one year . As such amount is within the normal operating cycle, it is classified as current.

(iii) As at 31 December 2021, MOP8,621,000 (2020: MOP10,540,000) represents trade payables to client and MOP28,000 (2020:MOP3,060,000) represents trade payables to clearing house. No aging analysis on trade payables arising from financial services 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.

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

	2021 MOP'000	2020 MOP'000
Within 1 month	469	4,541
1 to 3 months	184	281
3 to 6 months	502	171
Over 6 months	10,112	21,852
	11,267	26,845

22. BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2021, the bank loans and overdrafts and other borrowings were repayable as follows:

	2021 MOP'000	2020 MOP'000
Within 1 year or on demand	499,273	436,913

As at 31 December 2021, the bank loans and overdrafts and other borrowings were secured as follows:

	2021 MOP'000	2020 MOP'000
Secured overdrafts (note 20(a))	12,909	32,730
Secured bank loans	486,364	392,338
	499,273	425,068
Unsecured other borrowings (note (i))	–	11,845
Bank loans and overdrafts and other borrowings	499,273	436,913

Note:

(i) In November 2020, the Company issued two 1.00% bonds of MOP5,150,000 and MOP7,210,000 respectively due in May 2021 to an independent third party. In additions, the Company paid an origination fee of MOP680,000 in relations to the issuance of bonds to an independent agent. Considering the interest paid to the lender and the original fee paid to the agent, the bond has an effective interest rate of 13.1% per annum.

Included in bank loans and overdrafts and other borrowings are the following amounts denominated in respective currency:

	2021 MOP'000	2020 MOP'000
Macau Pataca	82,539	110,056
Hong Kong Dollars	415,028	325,026
United States Dollars	1,706	1,831
	499,273	436,913

22. BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS (Continued)

As at 31 December 2021, the banking facilities (including bank loans and overdrafts and performance bonds) granted to the Group were secured by:

(i) Land held by the Group with carrying amount of MOP110,210,000 (2020: MOP110,210,000);

(ii) Pledged deposits of MOP119,352,000 (2020: MOP92,133,000);

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

(iv) Investment in an insurance contract of MOP2,744,000 (2020: MOP2,658,000).

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, as 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 2021 and 2020, 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:

	2021 MOP'000	2020 MOP'000
Deferred tax assets	1,072	–
Deferred tax liabilities	(2,965)	2,684
	(1,893)	2,684

Movements in deferred tax liabilities/(assets) 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	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 31 December 2021	1,072	(2,719)	(246)	(1,893)

	Fair value adjustments on investment properties MOP'000	Lease liabilities MOP'000	Total MOP'000
As at 1 January 2020	(2,719)	28	(2,691)
Credited to:			
– profit or loss (note 8)	–	7	7
As at 31 December 2020	(2,719)	35	(2,684)

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 MOP5,174,000 (2020: MOP6,497,000) to carry forward for deduction against future taxable income . The tax losses of MOP5,174,000 (2020: MOP5,264,000), relating to Macau incorporated companies, will expire within 1 to 3 years from 31 December 2021 (2020: 1 to 3 years from 31 December 2020). The remaining portion of the tax losses of MOPnil (2020: MOP1,232,000), mainly relating to Hong Kong incorporated companies, can be carried forward indefinitely.

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 and not previously covered by the defined benefit retirement plan. 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. Where there are employees who leave the defined benefit retirement plan prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. In 2021, there are no forfeited contributions utilised in this manner.

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

	2021		2020	
	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	760,000,000	7,828	760,000,000	7,828
Issuance of new shares (note (i))	46,000,000	474	–	–
As at 31 December	806,000,000	8,302	760,000,000	7,828

Note (i): The Company issued 46,000 ,000 ordinary shares of HK$0.01 each to independent third party at a subscription price of HK$2.35 per share in April 2021. The new shares rank pari passu with the existing shares in all respects. Details are set out in the Company's announcement on 16 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 2021 and 2020 was as follows:

	Note	2021 MOP'000	2020 MOP'000
Current liabilities:			
Bank loans and overdrafts and other borrowings	22	499,273	436,913
Total debts		499,273	436,913
Total equity		606,833	443,320
Gearing ratio		0.82 times	0.99 times

Except for the fulfillment of covenants of lending arrangement with financial institutions as disclosed in note 22, 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

	2021 MOP'000	2020 MOP'000
Financial assets		
At amortised cost	605,939	611,322
At Fair value through profit or loss	30	28
Financial liabilities		
At amortised cost	590,110	499,283

(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.

The Group does not provide any other guarantees which would expose the Group to 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, 38% (2020: 24%) and 60% (2020: 92%) 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. Trade receivables are due within 0 to 45 days from the date of billing. 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 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	3,111
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
Over 2 years but less than 3 years	100	–	–
		68,202	824

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 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 following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

	Weighted average expected credit loss rate %	Gross carrying amount MOP'000	Loss allowance MOP'000
Within 1 month	0.2	48,816	121
1 to 3 months	0.2	46,712	116
3 to 6 months	0.2	61,467	152
6 to 12 months	0.2	148,409	369
Over 1 year but less than 2 years	2.0	34,706	710
Over 2 years but less than 3 years	100.0	1,331	1,331
		341,441	2,799

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2020:

	Weighted average expected credit loss rate %	Gross carrying amount MOP'000	Loss allowance MOP'000
Within 1 year	0.2	31,384	78
Over 1 year but less than 2 years	2.0	–	–
Over 2 years but less than 3 years	100.0	1,077	1,077
		32,461	1,155

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)

Subsequent to the year ended 31 December 2021, trade receivables of MOP5,000,000 (2020: MOP55,537,000) was settled. Of which, MOP5,000,000 (2020: MOP34,351,000) was related to trade receivables past due over 1 year but less than 2 years.

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 29, 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. Up to the date of these consolidated financial statements were authorised for issue, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the measures as stated in note 2(b).

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 borrowings with a repayment on demand clause are included in the "within one year or on demand" time band in the above maturity analysis. At 31 December 2021, the aggregate undiscounted principal amount of the bank borrowings amounted to approximately MOP499,273,000 (2020: MOP436,913,000). 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 MOP516,900,000 (2021: MOP448,957,000).

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

	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	–	–	–
Amount due to a director	4,453	4,453	4,453	–	–	–
Bank loans and overdrafts and other borrowings	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

	At 31 December 2020				
	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
Trade and other payables	62,370	62,370	62,370	–	–
Bank loans and overdrafts and other borrowings	436,913	436,913	436,913	–	–
	499,283	499,283	499,283	–	–
Lease liabilities	3,207	3,393	1,800	897	696

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 and other borrowings. 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:

	2021		2020	
	Effective interest rate %	Amount MOP'000	Effective interest rate %	Amount MOP'000
Net fixed rate borrowings:				
Other borrowings	–	–	13.1%	11,845
Variable rate borrowings:				
Bank overdrafts	4.25%–5.75%	12,909	4.25%–5.75%	32,730
Bank loans	1.739%–5.5%	486,364	1.846%–5.5%	392,338
		499,273		425,068
Total borrowings		499,273		436,913
Net fixed rate borrowings as a percentage of total net borrowings		0%		3%

(ii) Sensitivity analysis

As at 31 December 2021, it is estimated that a general 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 attributable to equity holders, would have decreased/increased by approximately MOP4,393,000 (2020: MOP3,845,000).

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 2020.

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 Macau Pataca and Hong Kong dollar, which is pegged to Macau Pataca.

(e) Fair values measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or 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) Transactions with related parties

	Note	2021 MOP'000	2020 MOP'000
Transactions with related parties			
Revenue from a related party	(i)	–	2,860

Note:

(i) The related party is a company owed by Mr . Che Chan U, the director of the Group.

The above transactions were fully exempted from the connected transaction requirement under Rules 14A .76 of the Listing Rules.

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business and the pricing of these transactions was determined based on mutual negotiation and agreement.

(c) Balance with related parties

The amounts due from/to a director as at 31 December 2021 and 2020 are unsecured, non-interest bearing, and recoverable/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:

	2021 MOP'000	2020 MOP'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	13,043	13,684
Bank guarantees given to potential customers for an invitation to tender	–	6,971
	13,043	20,655

30. MAJOR NON-CASH TRANSACTIONS

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

During the years ended 31 December 2021, the Group early terminated a lease contract, the respective right-of-use assets and lease liabilities of approximately MOP745,000 and MOP152,000 respectively were derecognised resulting in a loss on early termination of lease of approximately MOP593,000 recognised in profit or loss.

31. BUSINESS COMBINATIONS

On 1 October 2020, the Group acquired the entire issued share capital of Space Securities Limited ("SSL") (formerly known as "All EverGreen Securities Limited"), a company principally engaged in the provision of financial services, and Space Asset Management Limited ("SAML") (formerly known as "All EverGreen Asset Management Limited"), a company principally engaged in securities and asset management advisory services for a total cash consideration of MOP14,254,000. Upon the completion of the acquisition, SSL and SAML became the wholly owned subsidiaries of the Company.

Through the acquisition of SSL and SAML, the Group obtained instant access to a readily available asset management, securities advisory and trading platform which enables the Group to expand its business into the financial services sector with an aim to broader the Group's income stream and enhance the shareholders' value.

The Group is required to recognise SSL and SAML identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. In the preparation of the consolidated financial statements, the Group recorded the excess of the fair values of the acquired assets and liabilities over the cost of acquisition as negative goodwill in the consolidated statement of profit or loss.

31. BUSINESS COMBINATIONS (Continued)

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

	2021 MOP'000
Purchase consideration	14,254
Less: fair value of net assets acquired	14,319
Negative goodwill on acquisition (note 5)	(65)

None of the negative goodwill is expected to be taxable for tax purposes.

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

	2020 MOP'000
Property, plant and equipment	663
Other non-current assets	812
Trade and other receivables	1,151
Cash and cash equivalents	13,992
Trade and other payables	(1,952)
Lease liabilities	(347)
Net identifiable assets acquired	14,319

	2020 MOP'000
Purchase consideration settled in cash	11,330
Less: cash and cash equivalents acquired	(13,992)
Total net cash inflow for the year ended 31 December 2020	(2,662)

As at 31 December 2020, purchase consideration of MOP2,924,000, which was non-interest bearing, is recorded as other payables in the consolidated statement of financial position. The amount was fully settled in 2021.

31. BUSINESS COMBINATIONS (Continued)

(ii) Acquired receivables

The fair value of acquired trade receivables was MOP127,000 which was the gross contractual amount without any loss allowance recognised on acquisition.

(iii) Revenue and profit contribution

The mentioned acquired companies contributed revenues of MOP1,579,000 and net profit of MOP271,000 to the Group.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been MOP11,762,000 and MOP5,037,000 respectively. These amounts have been calculated using the subsidiary's results.

(iv) Acquisition-related costs

Acquisition-related costs of MOP0.4 million were included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2020.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 MOP'000	2020 MOP'000
Non-current asset			
Interests in subsidiaries		270,529	270,529
Current assets			
Other receivables		373	269
Amount due from subsidiaries		89,566	–
Amount due from a director		–	12,360
Cash and bank balances		126	390
		90,065	13,019
Current liabilities			
Other payables		796	171
Amounts due to subsidiaries		–	23,992
Other borrowings		–	11,845
		796	36,008
Net current assets (liabilities)		89,269	(22,989)
NET ASSETS		359,798	247,540
CAPITAL AND RESERVES			
Share capital		8,302	7,828
Reserves	31(a)	351,496	239,712
TOTAL EQUITY		359,798	247,540

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 1 January 2020	245,822	(5,184)	240,638
Changes in equity for 2020:			
Loss for the year	–	(926)	(926)
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	357,240	(5,744)	351,496

33. EVENT AFTER THE REPORTING PERIOD

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

34. COMPARATIVE FIGURES

Comparative figures in relation to (i) the ageing analysis of trade payables; (ii) certain items in the consolidated statement of cash flows have been represented to conform with the current year's presentation. The reclassification had no financial effect on the amounts stated in the consolidated statement of financial position and therefore the third consolidated statement of financial position as at 1 January 2020 is not presented.

The consolidated results of Space Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 and the consolidated assets and liabilities of the Group as at 31 December 2021 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 2021, is set out below:

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

		Year ended 31 December				
	Notes	2021 MOP'000	2020 MOP'000	2019 MOP'000	2018 MOP'000	2017 MOP'000
RESULTS						
Revenue	1	523,278	400,016	451,904	405,742	482,389
Gross profit	1	134,725	76,287	107,519	106,567	99,390
Profit before tax		61,285	45,661	72,904	72,978	102,982
Income tax expenses	1, 2	9,601	6,265	10,949	11,377	13,595
Profit for the year		51,684	39,396	61,955	61,601	89,387

		As at 31 December				
	Notes	2021 MOP'000	2020 MOP'000	2019 MOP'000	2018 MOP'000	2017 MOP'000
ASSETS AND LIABILITIES						
Total assets	1, 2	1,264,969	979,790	735,363	594,859	438,764
Total liabilities	1, 2	658,136	536,470	331,449	272,844	404,827

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 2021

Particulars of the principal properties in Macau held by the Group as at 31 December 2021 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 2023.