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Standard Development Group Limited 標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Standard Development Group Limited (the “**Company**”) hereby announces the interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2021, together with the comparative figures for the six months ended 30 September 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
	<i>Notes</i>	HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	4	73,818	138,583
Direct costs		<u>(72,031)</u>	<u>(124,982)</u>
Gross profit		1,787	13,601
Other income and loss	5	131	1,299
Impairment losses under expected credit loss model, net of reversal	6	(2,712)	230
Administrative and other operating expenses		(8,694)	(6,615)
Finance costs		<u>(201)</u>	<u>(572)</u>
(Loss) profit before tax		(9,689)	7,943
Income tax expense	7	<u>(70)</u>	<u>(1,725)</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to the owners of the Company	8	<u><u>(9,759)</u></u>	<u><u>6,218</u></u>
			(Restated)
Basic (loss) earnings per share (HK cents)	10	<u><u>(0.85)</u></u>	<u><u>0.55</u></u>
Diluted (loss) earnings per share (HK cents)		<u><u>N/A</u></u>	<u><u>N/A</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Notes</i>	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	11	595	835
Right-of-use asset		926	1,482
Deposits and prepayments for life insurance policies		3,126	3,126
Deferred tax assets		492	597
		<u>5,139</u>	<u>6,040</u>
Current assets			
Trade and other receivables	12	53,678	70,689
Contract assets		41,600	39,969
Amounts due from related parties		–	811
Financial assets at fair value through profit or loss		12	14
Tax recoverable		980	945
Bank balances and cash		69,464	30,943
		<u>165,734</u>	<u>143,371</u>
Current liabilities			
Trade and other payables	13	5,555	6,321
Amounts due to directors		505	–
Borrowings		7,565	23,572
Lease liability		955	1,191
Provision for litigation		267	267
		<u>14,847</u>	<u>31,351</u>
Net current assets		<u>150,887</u>	<u>112,020</u>
Total assets less current liabilities		<u>156,026</u>	<u>118,060</u>
Non-current liabilities			
Lease liability		–	355
Net assets		<u><u>156,026</u></u>	<u><u>117,705</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital	<i>14</i>	13,440	11,200
Reserves		142,586	106,505
Total equity		156,026	117,705

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effective from 9 May 2019.

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and 21/F, Po Shau Centre, No. 115 How Ming Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Group is principally engaged in the provision of interior fitting-out, renovation, alteration and addition ("**A&A**") works services and interior design services.

The interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is same as the functional currency of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These interim condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform –
Phase 2*

In addition, the Group has early applied the Amendment to HKFRS 16 “*Covid-19-Related Rent Concessions beyond 30 June 2021*”.

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3.1 Impacts on early application of Amendment to HKFRS 16 “*Covid-19-Related Rent Concessions beyond 30 June 2021*”

The Group has early applied the amendment in the current interim period. The application of this amendment has had no impact on the Group’s financial positions and performance for the current and prior periods.

3.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

3.2.1 Accounting policies

Financial Instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial assets or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

4. REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services. The management considers that the Group only has one operating segment.

Disaggregation of revenue from contracts with customers:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of services:		
Fitting-out and renovation services	60,652	98,386
Alteration and addition works services	9,933	38,153
Interior design services	3,233	2,044
	<u>73,818</u>	<u>138,583</u>
Total	<u>73,818</u>	<u>138,583</u>
Timing of revenue recognition:		
Over-time	<u>73,818</u>	<u>138,583</u>

5. OTHER INCOME AND LOSS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	1	3
Dividend income	1	1
Government grants – Employment Support Scheme (<i>Note</i>)	–	1,026
Sundry income	131	270
	<u>133</u>	<u>1,300</u>
Other loss		
Loss from change in fair value of financial assets at fair value through profit or loss	<u>(2)</u>	<u>(1)</u>
	<u>131</u>	<u>1,299</u>

Note: The amount represents salaries and wages subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to August 2020.

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment losses (reversal of) recognised on:		
– trade receivables (<i>Note a</i>)	1,036	(827)
– unbilled revenue	77	71
– retention receivables (<i>Note b</i>)	1,598	526
– other receivables	1	–
	<u>2,712</u>	<u>(230)</u>

Notes:

- (a) During the current interim period, the Group provided impairment allowance of HK\$1,036,000 (six months ended 30 September 2020: net reversal of HK\$827,000), net of reversal of impairment allowance of HK\$3,413,000 on trade receivables, which mainly represents a specific loss allowance of HK\$3,149,000 has been made to an individual debtor, PKNG Development and Project Management Limited (“**PKNG**”) due to the legal disputes with the Group.
- (b) During the current interim period, the Group provided impairment allowance of HK\$1,598,000 (six months ended 30 September 2020: HK\$526,000), net of reversal of impairment allowance of HK\$1,234,000 on retention receivables, which mainly represents a specific loss allowance of HK\$392,000 has been made to an individual debtor, PKNG due to the legal disputes with the Group.

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>70</u>	<u>1,725</u>

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation of plant and equipment	259	686
Depreciation of right-of-use asset	556	185
Directors' emoluments:		
Salaries and other benefits	2,736	1,345
Contributions to retirement benefit scheme	28	18
	<u>2,764</u>	<u>1,363</u>
Employee benefits expense:		
Salaries and other benefits	11,021	7,390
Contributions to retirement benefit scheme	321	290
	<u>11,342</u>	<u>7,680</u>
Total employee benefits expense, including Directors' emoluments	<u>11,342</u>	<u>7,680</u>

9. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2021. The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

10. (LOSS) EARNINGS PER SHARE

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	<u>(9,759)</u>	<u>6,218</u>
	2021	2020
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,151,733</u>	<u>1,132,043</u>

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for rights issue issued on 14 September 2021. Details of the rights issue are set out in Note 14.

The denominator for the purpose of calculating basic earnings per share in 2020 has been restated to reflect the effect of the rights issue during the six months ended 30 September 2021.

No diluted (loss) earnings per share were presented as there is no potential ordinary share in issue for both the six months ended 30 September 2021 and 2020.

11. PLANT AND EQUIPMENT

During the reporting period, the Group acquired plant and equipment of approximately HK\$19,000 (six months ended 30 September 2020: approximately HK\$58,000).

12. TRADE AND OTHER RECEIVABLES

The Group's generally grants a credit period of 30 days to its customers.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade receivables	32,823	54,647
Less: Allowance for credit losses	<u>(7,976)</u>	<u>(7,161)</u>
	24,847	47,486
Other receivables, prepayments and deposits	29,378	23,749
Less : Allowance for credit losses	<u>(547)</u>	<u>(546)</u>
	<u>53,678</u>	<u>70,689</u>

The ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date is as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0–30 days	10,622	18,155
31–60 days	3,840	5,399
61–90 days	28	11,297
91–180 days	3,349	1,188
Over 180 days	<u>14,984</u>	<u>18,608</u>
	32,823	54,647
Less: Allowance for credit losses	<u>(7,976)</u>	<u>(7,161)</u>
	<u>24,847</u>	<u>47,486</u>

13. TRADE AND OTHER PAYABLES

The credit period on trade payables are generally 0 to 30 days.

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	2,081	2,913
Other payables and accruals	<u>3,474</u>	<u>3,408</u>
	<u>5,555</u>	<u>6,321</u>

The ageing analysis of trade payables presented based on the invoice date is as follows.

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
0–30 days	1,279	2,483
31–60 days	524	2
61–90 days	–	–
91–180 days	6	177
Over 180 days	<u>272</u>	<u>251</u>
	<u>2,081</u>	<u>2,913</u>

14. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2021 and 30 September 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2021 and 1 April 2021	1,120,000,000	11,200
Rights issue (<i>Note</i>)	<u>224,000,000</u>	<u>2,240</u>
At 30 September 2021	<u><u>1,344,000,000</u></u>	<u><u>13,440</u></u>

Note: The Company has raised fund by way of a rights issue of 224,000,000 rights shares on the basis of one rights share for every five existing shares held by the qualifying shareholders at the subscription price of HK\$0.22 per rights share payable in full on acceptance. The rights issue was completed on 14 September 2021. As a result, net proceeds of approximately HK\$48,080,000, net of expenses, was raised.

15. RELATED PARTY TRANSACTIONS

(a) During the period ended 30 September 2021 and 2020, there is no related party transaction.

(b) Compensation of key management personnel

Key management includes executive directors (six months ended 30 September 2020: executive directors and senior management) of the Company. The remuneration of key management during the period ended 30 September 2021 and 2020 are as follows:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	30 September 2020 <i>HK\$'000</i> (Unaudited)
Salaries and other benefits	2,103	3,552
Contribution to retirement benefit scheme	<u>20</u>	<u>73</u>
	<u><u>2,123</u></u>	<u><u>3,625</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a contractor capable of (i) interior fitting-out and renovation services; and (ii) A&A works for residential, industrial and commercial properties in Hong Kong. The Group has been running its business since 2005 and gained extensive experience and reputation in the industry. Ample Construction Company Limited (“**Ample Construction**”), the Company’s principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. Ample Design Company Limited, the design department of the Group, provides interior design services to clients.

The fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, the scope of works generally includes structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

The Company experienced a net loss of approximately HK\$9.8 million for the six months ended 30 September 2021. The Board considers that the net loss was mainly attributable to (i) the decrease in gross profit margin of the Group’s projects due to the delays in certification of projects work done completion; (ii) the provisions made on expected credit loss regarding to the legal dispute (for further details, please refer to the Company’s announcement dated 15 October 2021); and (iii) the increase in administrative and other operating expenses due to the increase in staff costs including Directors’ emoluments.

Amid the fierce market competition in Hong Kong, the Group has less room for further developing its existing business in Hong Kong. As such, the Group has decided to develop its construction and engineering related business in Mainland China to facilitate the long-term growth and development of the Group. On 22 July 2021, the Group established Standard Development (Shandong) Limited (標準發展(山東)有限公司), an indirect wholly-owned subsidiary of the Company, for the provision of construction and engineering related services in Mainland China.

Looking forward, despite the fact that the COVID-19 pandemic has been further contained in Mainland China and Hong Kong which is attributable to the increased proportion of vaccinated population, the market demand still remains weak in both regions, causing adverse impacts on the business development in both regions. There will be huge difficulties for business expansion in Mainland China and the market competition in Hong Kong will remain fierce. In view of the aforementioned business environment, the ever-changing economic condition in both regions will be full of challenges. The Group will take initiatives to be well prepared for any new opportunities that may arise when the market recovers.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately HK\$138.6 million for the six months ended 30 September 2020 to approximately HK\$73.8 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$64.8 million or approximately 46.8%. Such decrease was mainly due to the decrease in the number of fitting-out and renovation projects undertaken by the Group for the six months ended 30 September 2021.

Direct Costs

The direct costs decreased from approximately HK\$125.0 million for the six months ended 30 September 2020 to approximately HK\$72.0 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$53.0 million or approximately 42.4%. Such decrease was mainly attributable to the decrease in subcontracting charges and direct labour cost for the period.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by approximately 86.8% from approximately HK\$13.6 million for the six months ended 30 September 2020 to approximately HK\$1.8 million for the six months ended 30 September 2021. Such decrease was mainly due to the decrease in revenue and the decrease in gross profit margin. As a result of the adoption of competitive project pricing in response to the intense market competition, the gross profit margin decreased from approximately 9.8% for the six months ended 30 September 2020 to approximately 2.4% for the six months ended 30 September 2021.

Administrative and other Operating Expenses

Administrative and other operating expenses of the Group increased by approximately 31.8% from approximately HK\$6.6 million for the six months ended 30 September 2020 to approximately HK\$8.7 million for the six months ended 30 September 2021. The increase in administrative and other operating expenses was mainly due to an increase in staff costs including Directors' emoluments for the six months ended 30 September 2021.

Finance Costs

Finance costs decreased from approximately HK\$0.6 million for the six months ended 30 September 2020 to approximately HK\$0.2 million for the six months ended 30 September 2021. Such decrease was mainly due to the decrease in bank borrowings for the six months ended 30 September 2021. Finance costs consist of interest on bank borrowings and overdrafts as well as the interest expense on the lease liability.

(Loss) profit and total comprehensive (expense) income for the period attributable to the owners of the Company

As a result of the foregoing, the loss for the period amounted to approximately HK\$9.8 million for the six months ended 30 September 2021 (six months ended 30 September 2020: profit of approximately HK\$6.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had total assets of approximately HK\$170.9 million (31 March 2021: approximately HK\$149.4 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$14.8 million (31 March 2021: approximately HK\$31.7 million) and approximately HK\$156.0 million (31 March 2021: approximately HK\$117.7 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2021, the Group had bank balances and cash of approximately HK\$69.5 million (31 March 2021: approximately HK\$30.9 million). The total interest-bearing borrowings of the Group as at 30 September 2021 were approximately HK\$7.6 million (31 March 2021: approximately HK\$23.6 million), and current ratio as at 30 September 2021 was approximately 11.2 times (31 March 2021: approximately 4.6 times).

Majority of the Group's borrowings and bank balances are denominated in Hong Kong Dollars and there was no significant exposure to foreign exchange rate fluctuations during the six months ended 30 September 2021.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2021 was approximately 5.5% (31 March 2021: approximately 21.3%). The decrease in the Group's gearing ratio was mainly due to a decrease in bank borrowings as a result of the repayment to the bank during the six months ended 30 September 2021.

The gearing ratio is calculated based on the total loans and borrowings and total lease liability divided by total equity as at the respective reporting date.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. 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.

CHARGE ON GROUP ASSETS

As at 30 September 2021, the Group pledged bank deposits amounted to approximately HK\$6.0 million to a bank as collateral to secure banking facilities granted to the Group (31 March 2021: approximately HK\$6.0 million).

As at 30 September 2021, the Group pledged its life insurance policies to a bank of approximately HK\$3.0 million to secure the banking facilities granted to the Group (31 March 2021: approximately HK\$3.0 million).

As at 30 September 2021, the Group paid a cash collateral of approximately HK\$3.4 million (31 March 2021: approximately HK\$3.4 million) to the insurance companies for the issuance of surety bonds which were included in other receivables, prepayment and deposits.

Save for the above disclosed, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. The Directors are of the view that there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arises.

CAPITAL STRUCTURE

The Group successfully transferred the listing of its shares from GEM to the Main Board of the Stock Exchange on 9 May 2019. There has been no change in the capital structure of the Group during the six months ended 30 September 2021 and up to the date of this announcement. The share capital of the Group only comprises of ordinary shares.

On 6 August 2021, the Company announced a proposed rights issue on the basis of one rights share for every five existing shares held by the qualifying shareholders at a subscription price of HK\$0.22 per rights share (the “**Rights Issue**”). The Rights Issue was completed on 14 September 2021, and the number of issued share capital of the Company was increased to 1,344,000,000 shares. Details of the Rights Issue are set out in the Company’s announcements dated 6 August 2021, 11 August 2021 and 13 September 2021 and the Company’s prospectus dated 23 August 2021.

As at 30 September 2021, the Company’s issued share capital was HK\$13.4 million and the number of its issued ordinary shares was 1,344,000,000 of HK\$0.01 each.

COMMITMENTS

The Group have capital commitment with approximately HK\$30.0 million as at 30 September 2021 (31 March 2021: Nil) which represented the capital contribution to Standard Development (Shan Dong) Limited.

LITIGATION

On 5 March 2021, Bondway Development Limited (“**Bondway**”), a customer of the Group, issued and filed a statement of claim, of which against Ample Construction, under the High Court of the Hong Kong Special Administrative Region for a water seepage damage for the fitting out project in a sum of not less than HK\$267,000 (the “**Legal Proceeding**”). On 10 March 2021, the Group received a writ of summon from the Hight Court in relations to the Legal Proceeding.

At as the date of this announcement, the Company had not received any judgment in relation to the Legal Proceeding. The Directors expected that it is highly probable that the Company is needed to pay the fine. As at 30 September 2021, a provision of HK\$267,000 is accrued.

On 21 April 2021, Ample Construction had commenced arbitration proceedings against Lai Si Construction (Hong Kong) Company Limited (“**Lai Si**”), a customer of the Group, under Case No. DCCJ1751/2021. According to the indictment, Lai Si owed Ample Construction with an aggregated amount of approximately HK\$1,870,000 and the case is in listing for trial.

On 20 September 2021, a writ of summons under action number HCA 1424 of 2021 was issued in the High Court of Hong Kong Special Administrative Region (the “**Writ**”) by the solicitors acting for PKNG as the plaintiff against Ample Construction, as the defendant for alleged breach under the conditions which were claimed being made between PKNG and Yee Fung Construction Engineering Limited (“**Yee Fung**”), the sub-contractor of Ample Construction, in mid-March 2021, under which Yee Fung shall keep the 8 postdated cheques which shall not be released to Ample Construction until PKNG makes a confirmation to Yee Fung to release the relevant postdated cheques to Ample Construction. As stated in the indorsement of claim endorsed with the Writ, PKNG’s claim against Ample Construction is for: (1) Ample Construction’s immediate return of the remaining 6 postdated cheques to PKNG; (2) further and/or other relief; and (3) costs. The Group is currently seeking legal advice in respect of the Writ and Ample Construction will contest it vigorously. For further details, please refer to the Company’s announcement dated 15 October 2021.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 4 to the interim condensed consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

The Group does not have any concrete plans for material investments or acquisition of capital assets as at 30 September 2021.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2021, the Group did not have any significant investments held, nor did the Group have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds, which amounted to approximately HK\$1,393,900 as at 30 September 2021 (31 March 2021: approximately HK\$14,088,000). The Company and Ample Construction have unconditionally and irrevocably agreed to indemnify the insurance company that issued such surety bonds for claims and losses the insurance company may incur in respect of the surety bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract. As at 30 September 2021, the Group paid a cash collateral of approximately HK\$3,421,000 (31 March 2021: approximately HK\$3,421,000) to an insurance company for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed a total of 79 employees (six months ended 30 September 2020: 49 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$11.3 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$7.7 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual employees' contribution.

INTERIM DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

USE OF PROCEEDS

(i) Net proceeds of listing from GEM to the main board of the Stock Exchange (the “Listing”)

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$51.2 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the prospectus of the Company dated 30 September 2016 (the “**Prospectus**”).

An analysis of the utilisation of the net proceeds from the Listing to 30 September 2021 is set out below:

	Planned use of net proceeds as stated in the Prospectus <i>HK\$'000</i>	Actual use of net proceeds up to 30 September 2021 <i>HK\$'000</i>	Unutilised net proceeds up to 30 September 2021 <i>HK\$'000</i>	Date by which net proceeds are expected to be fully utilised
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group’s market share in Hong Kong	18,022	18,022	–	–
Participate in competitions and exhibitions to promote and develop the Group’s interior design and fitting-out business	8,704	3,910	4,794	30 September 2022
Expand the Group’s manpower for projects execution and strengthen the skills of the Group’s staff	9,933	9,933	–	–
Strengthen the Group’s business development and quantity surveying and enhance the Group’s marketing resources	9,421	7,765	1,656	30 September 2022
General working capital	<u>5,120</u>	<u>5,120</u>	<u>–</u>	–
Total	<u><u>51,200</u></u>	<u><u>44,750</u></u>	<u><u>6,450</u></u>	

(ii) Net proceeds of Rights Issue

The actual net proceeds from the Rights Issue, after deduction of all expenses borne by the Company in connection with the Rights Issue, were approximately HK\$48.08 million (the “**Actual Net Proceeds**”), which were higher than the estimated net proceeds of approximately HK\$47.04 million as stated in the prospectus of the Company dated 23 August 2021 (the “**Rights Issue Prospectus**”). As such, the Company has adjusted the use of proceeds in the same manner and in the same proportion as shown in the Rights Issue Prospectus, which is (i) approximately 75%, representing approximately HK\$36.06 million, will be used to start up the new business of the new subsidiary in Mainland China; and (ii) approximately 25%, representing approximately HK\$12.02 million, will be used towards the general working capital of the Company. After the Rights Issue, a part of these Actual Net Proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Rights Issue Prospectus.

An analysis of the utilisation of the Actual Net Proceeds up to 30 September 2021 is set out below:

	Adjusted allocation of the Actual Net Proceeds <i>HK\$'000</i>	Actual use of net proceeds up to 30 September 2021 <i>HK\$'000</i>	Unutilised net proceeds up to 30 September 2021 <i>HK\$'000</i>	Date by which net proceeds are expected to be fully utilised
To start up the new business of the New Subsidiary in Mainland China	36,060	–	36,060	31 March 2022
General working capital of the Company	12,020	600	11,420	31 March 2022
	<u>48,080</u>	<u>600</u>	<u>47,480</u>	

As at 30 September 2021, the actual use of proceeds was less than the estimated use of net proceeds but had been applied in the same manner as specified in the sections headed “Business Objective and Use of Proceeds” and “Reasons for the Rights Issue and the Use of Proceeds” of the prospectuses of listing in main board and Rights Issue, respectively. The net proceeds of listing from GEM to the main board and Rights Issue with approximately HK\$6.5 million and HK\$47.5 million respectively had not yet been utilised as at 30 September 2021 and was deposited into licensed banks in Hong Kong.

The business objectives, future plans and planned use of proceeds as stated in the prospectuses of listing in main board and rights issue were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the prospectuses of listing in main board and Rights Issue whereas the proceeds were applied based on the actual development of the Group's business and the industry.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2021 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors or the controlling shareholders (as defined in the Listing Rules) of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules during the six months ended 30 September 2021.

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

On 23 April 2021, Heavenly White Limited ("**Heavenly White**") and Summer Unicorn Limited ("**Summer Unicorn**") (the "**Sellers**") and FUJINCHENG INVESTMENT HOLDINGS CO., LTD ("**FUJINCHENG**") entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which the Sellers agreed to sell and FUJINCHENG agreed to purchase a total of 807,000,000 shares, representing approximately 72.05% of the entire issued share capital of the Company at that time, for a total consideration of HK\$177,540,000 (equivalent to HK\$0.22 per sale share). Following the completion of the Sale and Purchase Agreement which took place on 27 April 2021, FUJINCHENG became the controlling shareholder of the Company and was required under the Code on Takeovers and Mergers to make a mandatory unconditional cash offer to acquire all the issued shares (other than those already owned or agreed to be acquired by FUJINCHENG) at HK\$0.22 per offer share (the "**Offer**"). The Offer was closed on 8 June 2021. Having made all reasonable enquiries and to the best knowledge and belief of the Board, FUJINCHENG held 807,050,000 shares immediately after the close of Offer on 8 June 2021. Details of the change of controlling shareholder of the Company and the Offer were set out in the joint announcements dated 27 April 2021, 17 May 2021, 20 May 2021 and 8 June 2021 and the composite document dated 17 May 2021 jointly issued by the Company and FUJINCHENG.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as the code of conduct regarding securities transactions by Directors. After making specific enquiries, all Directors have fully complied with the required standards set out in the Model Code and there was no event of non-compliance during the six months ended 30 September 2021.

SHARE OPTION SCHEMES

The Company’s share option scheme (the “**Scheme**”) was conditionally adopted pursuant to a resolution passed on 23 December 2016 to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group under the Scheme.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, substantial shareholder, consultant or adviser, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participant to the grant of any option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The subscription price shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company’s shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company’s shares on the date of grant of the option.

The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, the shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 134,400,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 134,400,000 shares from time to time) to the participants under the Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Scheme in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant requires approval of the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

The maximum number of shares issued and to be issued upon exercise of the options granted under the Scheme to each of any eligible persons (including those cancelled, exercised and outstanding options), in any 12 months period up to the date of the latest grant shall not exceed 1% of the Company's shares in issue provided that the number of shares issued and to be issued upon exercise of all options granted and to be granted to each of the independent non-executive directors or substantial shareholders of the Company or any of their respective associates in the 12 months period up to the date of such grant in excess of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's independent shareholders. Any further grant of options in excess of such limit requires the approval of the shareholders in general meeting in accordance with the requirements of the Listing Rules.

An offer for the grant of share options might be accepted in writing within 7 days, inclusive of the day on which such offer was made. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee to the Company on acceptance of the offer for the grant of an option is HK\$1.

The Scheme will remain in force for a period of ten years commencing on 23 December 2016, subject to early termination provisions contained in the Scheme.

For the six months ended 30 September 2021, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, an update on the information of a Director is set out below:

Dr. Su Lixin, an independent non-executive Directors, has resigned as a Professor and Head of Department of Accountancy, Faculty of Business of Lingnan University with effect from August 2021. She re-joined The Hong Kong Polytechnic University as a professor and Head of School of Accounting and Finance in August 2021.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledge the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules. During the six months ended 30 September 2021, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code, except for the deviation from the provision A.2.1 of the CG Code. Code Provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As Mr. Liu Zhancheng performs the roles of Chairman and Chief Executive Officer, the Company has deviated from this Code Provision from 8 June 2021. However, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Liu Zhancheng has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises three independent non-executive Directors and three executive Directors also provides added independence to the Board. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 23 December 2016. The chairman of the Audit Committee is Dr. Su Lixin, an independent non-executive Director, and the other members include Mr. Liang Rongjin and Dr. Yan Bing, each an independent non-executive Director. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The interim condensed consolidated financial statements have not been audited nor reviewed by the Company's auditors, but have been reviewed by the Audit Committee.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, the interim report and the interim results announcement of the Group for the six months ended 30 September 2021, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

APPRECIATION

The Company would like to thank the Group's customers, suppliers, business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the period.

By order of the Board
Standard Development Group Limited
Liu Zhancheng
Chairman and Executive Director

Hong Kong, 26 November 2021

As at the date of this announcement, the Board comprises Mr. Liu Zhancheng, Ms. Qin Mingyue and Mr. Ye Zuobin as executive Directors; and Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing as independent non-executive Directors.