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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 2023**

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Standard Development Group Limited (the “**Company**”) hereby announces the condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2023, together with the comparative figures for the six months ended 30 September 2022.

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

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	304,606	319,348
Direct costs		<u>(300,656)</u>	<u>(317,017)</u>
Gross profit		3,950	2,331
Other income and loss, net	5	446	1,431
Fair value gain on biological assets		170	–
Impairment losses reversed (recognised) under expected credit loss model, net	6	353	(679)
Selling expenses		(903)	–
Administrative and other operating expenses		(10,670)	(10,298)
Finance costs		<u>(422)</u>	<u>(287)</u>
Loss before tax		(7,076)	(7,502)
Income tax expense	7	<u>(21)</u>	<u>(1,420)</u>
Loss for the period	8	<u>(7,097)</u>	<u>(8,922)</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operation		<u>(4,479)</u>	<u>(4,384)</u>
Other comprehensive expense for the period, net of income tax		<u>(4,479)</u>	<u>(4,384)</u>
Total comprehensive expense for the period		<u>(11,576)</u>	<u>(13,306)</u>
Loss per share	10		
Basic (HK cents)		(0.48)	(0.66)
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	<i>Notes</i>	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Plant and equipment	<i>11</i>	3,097	2,231
Right-of-use assets	<i>11</i>	12,941	1,767
Investments in life insurance contracts		3,384	3,384
Deposits paid		2,526	2,705
Deferred tax assets		4,905	4,905
		<u>26,853</u>	<u>14,992</u>
<b>Current assets</b>			
Inventories		16,154	516
Biological assets		1,346	3,258
Trade and other receivables	<i>12</i>	71,628	74,000
Contract assets		38,932	27,186
Financial assets at fair value through profit or loss		9	11
Tax recoverable		–	668
Cash and cash equivalents		59,949	153,344
		<u>188,018</u>	<u>258,983</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	32,914	86,866
Borrowings		23,048	14,865
Lease liabilities		923	962
Tax payable		–	1,237
		<u>56,885</u>	<u>103,930</u>
<b>Net current assets</b>		<u>131,133</u>	<u>155,053</u>
<b>Total assets less current liabilities</b>		<u>157,986</u>	<u>170,045</u>
<b>Non-current liabilities</b>			
Lease liabilities		244	727
<b>NET ASSETS</b>		<u>157,742</u>	<u>169,318</u>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	14,940	14,940
Reserves		142,802	154,378
<b>Total equity</b>		<u>157,742</u>	<u>169,318</u>

# NOTES TO THE 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 Room 1409-10, 14/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong, respectively.

The Company is an investment holding company. The Group is principally engaged in construction and engineering related businesses, including interior fitting-out and renovation services, alteration and addition works for properties, petroleum trading and farming businesses in Mainland China and Hong Kong.

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

## 2. BASIS OF PREPARATION

The 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 condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2023.

### Going concern assessment

The Directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2023.

## Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group's annual period beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and 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 the disclosure set out in these condensed consolidated financial statements.

## 4A. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Geographical markets:</b>		
Hong Kong	110,818	67,466
Mainland China	190,917	251,882
<b>Total</b>	<b>301,735</b>	<b>319,348</b>
<b>Timing of revenue recognition:</b>		
A point in time	190,917	251,408
Over-time	110,818	67,940
<b>Total</b>	<b>301,735</b>	<b>319,348</b>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Construction and engineering related business</b>		
Construction and engineering related services	<b>110,542</b>	67,547
Interior design services	<b>276</b>	393
Sales of construction consumables	<b>904</b>	1,032
	<b>111,722</b>	68,972
<b>Petroleum business</b>		
Sales of petroleum	<b>185,446</b>	250,376
<b>Farming business</b>		
Sales of agricultural consumables	<b>4,567</b>	—
<b>Revenue from contracts with customers</b>		
Farmland leasing	<b>2,871</b>	—
<b>Total</b>	<b>304,606</b>	319,348

#### **4B. OPERATING SEGMENTS**

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 March 2023, the Group commenced the business engaging in farming, which include farmland leasing, trading of agricultural consumables and planting. It is considered as a new operating and reportable segment by the CODM.

In the current interim period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Trading of construction consumables have been relocated from the “Trading business segment” to “Construction and engineering related business segment”. Prior period segment disclosures have been represented to conform with the current period’s presentation.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

- a. Construction and engineering related business – Provision of construction and engineering related services  
– Provision of interior design services  
– Sales of construction consumables  
– Other related business
- b. Petroleum business – Trading of petroleum products
- c. Farming business – Plantation, sales of agricultural consumables, farmland leasing and other related business

The following is an analysis of the Group's revenue and results by reportable and operating segments:

**(a) Segment revenues and results**

**For the six months ended 30 September 2023**

	<b>Construction and engineering related business <i>HK\$'000</i></b>	<b>Petroleum business <i>HK\$'000</i></b>	<b>Farming business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Segment revenue</b>	<u>111,722</u>	<u>185,446</u>	<u>7,438</u>	<u>304,606</u>
Segment results	<u>2,563</u>	<u>7</u>	<u>(224)</u>	2,346
Unallocated corporate income				442
Unallocated corporate expenses				<u>(9,864)</u>
Loss before tax				<u><u>(7,076)</u></u>

**For the six months ended 30 September 2022**

	<b>Construction and engineering related business <i>HK\$'000</i></b>	<b>Petroleum business <i>HK\$'000</i></b>	<b>Farming business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Segment revenue</b>	<u>68,972</u>	<u>250,376</u>	<u>–</u>	<u>319,348</u>
Segment results	<u>(2,976)</u>	<u>5,702</u>	<u>–</u>	2,726
Unallocated corporate income				541
Unallocated corporate expenses				<u>(10,769)</u>
Loss before tax				<u><u>(7,502)</u></u>

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

**For the six months ended 30 September 2023**

	<b>Construction and engineering related business <i>HK\$'000</i></b>	<b>Petroleum business <i>HK\$'000</i></b>	<b>Farming business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Reportable segment assets</b>	<b>166,014</b>	<b>17,676</b>	<b>12,165</b>	<b>195,855</b>
Unallocated assets				<b>19,016</b>
				<b>214,871</b>
<b>Reportable segment liabilities</b>	<b>(34,489)</b>	<b>–</b>	<b>(636)</b>	<b>(35,125)</b>
Unallocated liabilities				<b>(22,004)</b>
				<b>(57,129)</b>

**For the year ended 31 March 2023**

	<b>Construction and engineering related business <i>HK\$'000</i></b>	<b>Petroleum business <i>HK\$'000</i></b>	<b>Farming business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Reportable segment assets</b>	<b>254,584</b>	<b>893</b>	<b>12,198</b>	<b>267,675</b>
Unallocated assets				<b>6,300</b>
				<b>273,975</b>
<b>Reportable segment liabilities</b>	<b>(42,868)</b>	<b>(56,117)</b>	<b>(112)</b>	<b>(99,097)</b>
Unallocated liabilities				<b>(5,560)</b>
				<b>(104,657)</b>

## 5. OTHER INCOME AND LOSS, NET

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
<b>Other income</b>		
Bank interest income	442	548
Dividend income	1	1
Exchange difference, net	–	308
Government grants ( <i>Note</i> )	–	508
Sundry income	5	68
	<u>448</u>	<u>1,433</u>
<b>Other loss</b>		
Loss from change in fair value of financial assets at fair value through profit or loss	<u>(2)</u>	<u>(2)</u>
	<u><u>446</u></u>	<u><u>1,431</u></u>

*Note:* The amount represents the subsidies granted under the Employment Support Scheme of the Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from May to July 2022.

## 6. IMPAIRMENT LOSSES (REVERSED) RECOGNISED UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Impairment losses (reversal of) recognised on:		
– trade receivables	(867)	1,220
– unbilled revenue	78	(254)
– retention receivables	393	(294)
– other receivables	43	7
	<u>(353)</u>	<u>679</u>
	<u><u>(353)</u></u>	<u><u>679</u></u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	—	—
PRC Enterprise Income Tax	21	1,420
	<u>21</u>	<u>1,420</u>
	<u><u>21</u></u>	<u><u>1,420</u></u>

## 8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of plant and equipment	345	531
Depreciation of right-of-use assets	527	861
Directors' emoluments:		
Fee, salaries and other benefits	3,514	3,412
Contributions to retirement benefit scheme	27	27
	<u>3,541</u>	<u>3,439</u>
Other employee benefits expense:		
Salaries and other benefits	5,115	5,155
Contributions to retirement benefit scheme	600	351
	<u>5,715</u>	<u>5,506</u>
Total employee benefits expense, including directors' emoluments	<u><u>9,256</u></u>	<u><u>8,945</u></u>

## 9. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2023 (six months ended 30 September 2022: Nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

## 10. LOSS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(7,097)</u>	<u>(8,922)</u>
	2023	2022
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,494,000</u>	<u>1,344,000</u>

No diluted loss per share for both the six months ended 30 September 2023 and 2022 were presented as there were no potential ordinary share in issue for both the six months ended 30 September 2023 and 2022.

## 11. PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2023, the Group acquired plant and equipment of approximately HK\$1,211,000 (six months ended 30 September 2022: approximately HK\$368,000) and acquired right-of-use assets of approximately HK\$11,701,000 (six months ended 30 September 2022: nil) which mainly represent interests in leasehold land in the People's Republic of China ("PRC") for own use of constructing of wastage treatment facilities for an integrated utilisation of rural bio-mass project.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables		
– contracts with customers	61,796	63,137
– operating lease receivables	1,249	1,287
Less: Allowance for credit losses	<u>(18,843)</u>	<u>(19,728)</u>
	<u>44,202</u>	<u>44,696</u>
Other receivables, prepayments and deposits	30,593	32,572
Less : Allowance for credit losses	<u>(640)</u>	<u>(563)</u>
Total other receivables, net	29,953	32,009
Deposits paid classified as non-current asset	<u>(2,527)</u>	<u>(2,705)</u>
Other receivables, net	<u>27,426</u>	<u>29,304</u>
Trade and other receivables, net	<u><u>71,628</u></u>	<u><u>74,000</u></u>

The Group generally allows a credit period from 0 to 120 days (31 March 2023: 0-120 days) to its customers.

The following is an aged analysis of trade receivables, presented based on the invoice date:

	<b>30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	31 March 2023 <i>HK\$'000</i> (Audited)
0–30 days	24,714	10,882
31–60 days	3,678	118
61–90 days	370	3,940
91–180 days	87	3,233
Over 180 days	<u>34,196</u>	<u>46,251</u>
	<u><u>63,045</u></u>	<u><u>64,424</u></u>

### 13. TRADE AND OTHER PAYABLES

The credit period on trade payables are generally 0 to 90 days (31 March 2023: 0 to 90 days).

	<b>30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	17,491	74,231
Other payables and accruals	8,047	7,506
Amounts due to directors	7,376	5,129
	<u>32,914</u>	<u>86,866</u>

The following is an aged analysis of trade payables, presented based on the invoice date:

	<b>30 September 2023 <i>HK\$'000</i> (Unaudited)</b>	31 March 2023 <i>HK\$'000</i> (Audited)
0–30 days	1,986	57,320
31–60 days	136	6,334
61–90 days	5	5,244
91–180 days	–	556
Over 180 days	15,364	4,777
	<u>17,491</u>	<u>74,231</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		
<b>Authorised:</b>		
At 31 March 2023 and 30 September 2023	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
At 31 March 2023 and 30 September 2023	<u>1,494,000,000</u>	<u>14,940</u>

## 15. RELATED PARTY TRANSACTIONS

(a) Saved for the compensation of key management personnel as disclosed below, there was no other related party transaction and balance during the six months ended 30 September 2023 and 2022.

### (b) Compensation of key management personnel

Key management personnel includes all directors of the Company. The remuneration of key management personnel during the six months ended 30 September 2023 and 2022 are as follows:

	30 September 2023 <i>HK\$'000</i> (Unaudited)	30 September 2022 <i>HK\$'000</i> (Unaudited)
Fee, salaries and other benefits	3,514	3,412
Contribution to retirement benefit scheme	<u>27</u>	<u>27</u>
	<u>3,541</u>	<u>3,439</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in construction and engineering related businesses, including interior fitting-out and renovation services, alteration and addition works for properties, and petroleum trading and farming businesses in Mainland China and Hong Kong.

The Company experienced a net loss of approximately HK\$7.1 million for the six months ended 30 September 2023. The Board considers that the net loss was mainly attributable to (i) reduced scale of petroleum trading business; and (ii) additional expenditure occurred to explore and develop business in the Mainland China, such as selling expenses, employment cost, etc.

The world has emerged from the COVID pandemic, but it's still under its tremendous impacts. The global economy is recovering, but its momentum remains sluggish. Hong Kong and China property markets are still under the threat of weak demand and high interest rate.

In 2021 and 2022, the central government successively issued the “Opinions on Implementing Accelerating Rural Energy Transformation and Development to Promote Rural Revitalisation” and the “Opinions of the State Council on Carrying out the Key Work of Comprehensively Promoting Rural Revitalisation in 2022”, emphasising on promoting rural revitalisation to safeguard national food security, and proposing the construction of a modern rural energy system with clean, low-carbon and multi-energy integration, in order to make green and low-carbon energy development an important foundation and driving force for rural revitalisation. In the major livestock and poultry breeding areas of China, a large amount of livestock and poultry manure has not been properly treated, causing a great impact on the local ecological environment. Biomass fermentation technology can effectively treat these pollutants and generate green energy such as biogas and bio-natural gas, creating economic and social benefits. Considering the tremendous market opportunities brought by the rural revitalisation, the Company is actively exploring the relevant technologies and market development of grain planting and integrated development and utilisation of rural biomass to seize business opportunities.

The Group proposed and the shareholders approved an investment in an integrated development and utilisation of rural biomass project at the extraordinary general meeting. The project was listed as a critical project in Shandong Province in 2022, and also has been successfully enlisted in the investment projects within the central budget in 2023.

With the support from the national and local governments, the Company is confident that the project, upon completion, will not only generate favorable economic benefits, but will also effectively promote the revitalisation of local villages, and contribute to energy security, food security, carbon reduction and environmental protection, thereby realising the ecological and social benefits of a circular economy.

Looking forward, the Company is prepared to deploy more resources and efforts in the biomass clean energy projects to create long-term stable returns for the Company and its Shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately HK\$319.3 million for the six months ended 30 September 2022 to approximately HK\$304.6 million for the six months ended 30 September 2023, representing a decrease of approximately HK\$14.7 million or approximately 4.6%. Such decrease was mainly due to i) reduced scale of petroleum trading business; and ii) net off against the increase in the number of fitting-out and renovation projects undertaken by the Group for the six months ended 30 September 2023.

### **Direct Costs**

The direct costs decreased from approximately HK\$317.0 million for the six months ended 30 September 2022 to approximately HK\$300.7 million for the six months ended 30 September 2023, representing a decrease of approximately HK\$16.4 million or approximately 5.2%. Such decrease was mainly attributable to i) reduced scale of petroleum trading business; and ii) net off against the increase in subcontracting charges and direct labour cost for the period.

### **Gross Profit and Gross Profit Margin**

Gross profit increased by approximately 69.5% from approximately HK\$2.3 million for the six months ended 30 September 2022 to approximately HK\$4.0 million for the six months ended 30 September 2023. Such increase was mainly due to the increase in revenue in construction and engineering related services business in Hong Kong. The gross profit margin has remained stable during the period.

### **Administrative and other Operating Expenses**

Administrative and other operating expenses increased by approximately 3.6% from approximately HK\$10.3 million for the six months ended 30 September 2022 to approximately HK\$10.7 million for the six months ended 30 September 2023. The increase in administrative and other operating expenses was mainly due to the increase in staff costs for the six months ended 30 September 2023.

### **Finance Costs**

Finance costs increased from approximately HK\$0.3 million for the six months ended 30 September 2022 to approximately HK\$0.4 million for the six months ended 30 September 2023. Such increase was mainly due to the increase in bank borrowings for the six months ended 30 September 2023. Finance costs consist of interest on bank borrowings and overdrafts as well as the interest expense on the lease liability.

## **Loss and total comprehensive expense for the period attributable to the owners of the Company**

As a result of the foregoing, the loss and total comprehensive expense for the period amounted to approximately HK\$7.1 million and HK\$11.6 million respectively for the six months ended 30 September 2023 (six months ended 30 September 2022: loss and total comprehensive expense for the period attributable to the owners of the Company of approximately HK\$8.9 million and HK\$13.3 million respectively).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2023, the Group had total assets of approximately HK\$214.9 million (31 March 2023: approximately HK\$274.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$57.1 million (31 March 2023: approximately HK\$104.7 million) and approximately HK\$157.7 million (31 March 2023: approximately HK\$169.3 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2023, the Group had bank balances and cash of approximately HK\$59.9 million (31 March 2023: approximately HK\$153.3 million). The total interest-bearing borrowings of the Group as at 30 September 2023 were approximately HK\$23.0 million (31 March 2023: approximately HK\$14.9 million), and current ratio as at 30 September 2023 was approximately 3.3 times (31 March 2023: approximately 2.5 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 2023.

## **GEARING RATIO**

The gearing ratio of the Group as at 30 September 2023 was approximately 15.4% (31 March 2023: approximately 9.8%). The increase in the Group's gearing ratio was mainly due to an increase in bank borrowings as a result of the obtainment of loan from the bank during the six months ended 30 September 2023.

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 2023, 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 2023: approximately HK\$6.0 million).

As at 30 September 2023, the Group pledged its life insurance policies to a bank of approximately HK\$3.4 million to secure the banking facilities granted to the Group (31 March 2023: approximately HK\$3.4 million).

As at 30 September 2023, the Group paid a cash collateral of approximately HK\$10.1 million (31 March 2023: approximately HK\$7.4 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 and Renminbi. 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**

There has been no change in the capital structure of the Group during the six months ended 30 September 2023 and up to the date of this announcement. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2023, the Company's issued share capital was HK\$14.9 million and the number of its issued ordinary shares was 1,494,000,000 of HK\$0.01 each.

## **COMMITMENTS**

The Group have capital commitment with approximately HK\$129.1 million as at 30 September 2023 (31 March 2023: HK\$128.9 million) which represented the capital contribution to Standard Development (Shan Dong) Limited.

## LITIGATION

- (i) On 5 March 2021, Bondway Development Limited, a customer of the Group, commenced civil proceedings in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) against Ample Construction Company Limited (“**Ample Construction**”), an indirect wholly-owned subsidiary of the Company, as the 2nd Defendant, for water seepage damage from the fitting out project in a sum of not less than HK\$267,000. As at the date of this announcement, Ample Construction has filed a defence dated 30 June 2021 into court. The Directors expect that it is highly probable that the said claim will be successful and Ample Construction will be responsible for the claimed sum. As such, as at 31 March 2022, a provision of HK\$267,000 is accrued. The said proceedings are currently ongoing.
- (ii) On 21 April 2021, Ample Construction had commenced civil proceedings in the District Court of the Hong Kong Special Administrative Region (the “**District Court**”) against Lai Si Construction (Hong Kong) Company Limited (“**Lai Si**”), a customer of the Group. Lai Si owed Ample Construction an aggregated amount of approximately HK\$1,870,000 in respect of two fitting-out and alteration contracts. On 26 August 2021, Lai Si has filed a reply and counterclaim to Ample Construction for the amount of approximately HK\$409,000. On 26 October 2021, Ample Construction has filed a reply and defence to counterclaim by Lai Si. As such, as at 31 March 2022, or provision of HK\$409,000 is accrued. The said proceedings are currently ongoing.
- (iii) On 20 September 2021, PKNG Development and Project Management Limited (“**PKNG**”), a customer of the Group, had commenced civil proceedings against Ample Construction in the District Court to claims the sum of approximately HK\$6,283,000 for the possession of the 6 post-dated cheques. On 17 December 2021, the Group submitted the defence and counterclaim against PKNG for the sum of HK\$6,000,000. As at 30 September 2023, Ample Construction had not received any judgement in relation to the said proceedings. The directors expected that it is unlikely that Ample Construction will be responsible for the claimed sum and thus no provision has been provided.
- (iv) On 14 April 2022, Ample Construction commenced civil proceedings against Workshop Decoration Engineering Co., Ltd (“**Workshop**”), a sub-contractor of the Group, in the District Court. Ample Construction has made a claim against Workshop for the sum of approximately HK\$1,552,000 for defect and non-performance of the works under the works contract. As at 30 September 2023, Ample Construction had not received any judgement in relation to the said proceedings.

## SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 4A and 4B 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 2023.

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

During the six months ended 30 September 2023, 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\$43,590,000 as at 30 September 2023 (31 March 2023: approximately HK\$20,325,000). 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 2023, the Group paid a cash collateral of approximately HK\$10,142,000 (31 March 2023: approximately HK\$7,366,000) 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 2023, the Group employed a total of 54 employees (six months ended 30 September 2022: 39 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$9.3 million for the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$8.9 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 2023 (six months ended 30 September 2022: Nil).

## **EVENTS AFTER REPORTING PERIOD**

Save as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2023 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 2023.

## **CHANGE IN INFORMATION OF DIRECTORS**

Save as otherwise set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

## **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 2023.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted 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 2023.

## **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 date on which the shares of the Company were listed on the Stock Exchange. Therefore, the Company may grant options in respect of up to 112,000,000 shares (the "**Scheme Mandate**") (or such numbers of shares as shall result from a sub-division or a consolidation of such 112,000,000 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 2023, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Scheme as at 1 April 2023 and 30 September 2023.

112,000,000 options and 112,000,000 options were available for grant under the Scheme Mandate as at 1 April 2023 and 30 September 2023, respectively.

## **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 to the Listing Rules. During the six months ended 30 September 2023, 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 C.2.1 of the CG Code. Code Provision C.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 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 two 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 2023, 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, 30 November 2023

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