

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2024**

#### **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 2024, together with the comparative figures for the six months ended 30 September 2023.

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

*For the six months ended 30 September 2024*

	<i>Notes</i>	Six months ended	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	144,004	304,606
Direct costs		<u>(143,854)</u>	<u>(300,656)</u>
Gross profit		150	3,950
Other income and other gain or loss, net	5	444	446
Fair value (loss) gain on biological assets		(105)	170
Impairment losses (recognised) reversed under expected credit loss model, net	6	(3,914)	353
Selling expenses		(1,671)	(903)
Administrative and other operating expenses		(12,319)	(10,670)
Finance costs		<u>(1,876)</u>	<u>(422)</u>
Loss before tax		(19,291)	(7,076)
Income tax expense	7	<u>(756)</u>	<u>(21)</u>
Loss for the period	8	<u>(20,047)</u>	<u>(7,097)</u>
Other comprehensive income (expense) for the period, net of income tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>808</u>	<u>(4,479)</u>
Total comprehensive expense for the period		<u>(19,239)</u>	<u>(11,576)</u>
Loss for the period attributable to:			
Owners of the Company		(19,656)	(7,097)
Non-controlling interests		<u>(391)</u>	<u>—</u>
		<u>(20,047)</u>	<u>(7,097)</u>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2024</b>	2023
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Total comprehensive expense for the period attributable to:			
Owners of the Company		<b>(18,976)</b>	(11,576)
Non-controlling interests		<b>(263)</b>	—
		<u><b>(19,239)</b></u>	<u>(11,576)</u>
Loss per share			
	<i>10</i>		
Basic ( <i>HK cents</i> )		<b>(1.32)</b>	(0.48)
Diluted ( <i>HK cents</i> )		<b>N/A</b>	N/A
		<u><b>N/A</b></u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024	As at 31 March 2024
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	171,918	81,514
Right-of-use assets	<i>11</i>	44,609	38,828
Investments in life insurance contracts		3,407	3,407
Prepayments and deposits paid		16,275	17,590
Deferred tax assets		4,634	4,634
		<u>240,843</u>	<u>145,973</u>
<b>Current assets</b>			
Inventories		70	53
Biological assets		935	1,127
Trade and other receivables	<i>12</i>	54,561	65,574
Contract assets		57,349	54,431
Financial assets at fair value through profit or loss		11	10
Tax recoverable		–	621
Cash and cash equivalents		26,981	23,921
		<u>139,907</u>	<u>145,737</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	72,330	48,230
Contract liabilities		1,563	8,359
Borrowings	<i>14</i>	89,277	60,078
Lease liabilities		983	7,605
Tax payable		–	6
		<u>164,153</u>	<u>124,278</u>
<b>Net current (liabilities) assets</b>		<u>(24,246)</u>	<u>21,459</u>
<b>Total assets less current liabilities</b>		<u>216,597</u>	<u>167,432</u>

		As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		10,257	6,621
Borrowings	<i>14</i>	60,058	1,000
Other payables		28	28
Deferred income		<u>11,103</u>	<u>5,393</u>
		<u>81,446</u>	<u>13,042</u>
<b>NET ASSETS</b>		<u><u>135,151</u></u>	<u><u>154,390</u></u>
<b>Capital and reserves</b>			
Share capital		14,940	14,940
Reserves		<u>110,899</u>	<u>129,875</u>
Equity attributable to owners of the Company		125,839	144,815
Non-controlling interests		<u>9,312</u>	<u>9,575</u>
<b>TOTAL EQUITY</b>		<u><u>135,151</u></u>	<u><u>154,390</u></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 immediate holding company of the Company is Fujincheng Investment Holdings Co. Ltd., a company incorporated in the British Virgin Islands and the ultimate controlling party is Mr. Liu Zhancheng.

The Company is an investment holding company. The Group is principally engaged in construction and engineering related business, petroleum business, farming business and bio-energy business 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. Other than the subsidiaries established in the People's of Republic of China (the "**PRC**" or "**Mainland China**") whose functional currency is Renminbi ("**RMB**"), the functional currency of its subsidiaries is HK\$.

## 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 D2 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 2024.

### 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.

During the period ended 30 September 2024, the Group incurred a loss for the period of approximately HK\$20,047,000 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$24,246,000. In spite of the above, the Group continues to adopt the going concern basis in preparing its condensed consolidated financial statements, as the Directors have assessed that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the end of the reporting period, and the Directors have adopted or shall adopt the following measures in order to improve the Group's financial positions, liquidity and cash flows:

- (i) reviewing the business operations of the Group to improve their efficiency;
- (ii) implementing cost saving measures to control operating cost, administrative costs and corporate costs with a view to reduce the working capital requirements of the Group;
- (iii) reviewing its existing investments and business opportunities and actively considering to develop new business in order to enhance the cash flow of the Group;
- (iv) actively considering to realise other loss making investment or terminate loss making businesses; and
- (v) considering other financial tools, such as obtaining new loan, issuing debt or other measures to provide continuing financial support to the Group.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the investments in life insurance contracts that are measured at cash surrender value, certain financial instruments that are measured at fair values and biological assets that are measured at fair value less costs to sell at the end of reporting period, as appropriate.

Other than additional/changes in accounting policies resulting from application of 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 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 March 2024.

#### 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 mandatorily effective for the Group's annual period beginning on 1 April 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 the disclosure set out in these condensed consolidated financial statements.

#### 4A. REVENUE

Disaggregation of revenue from contracts with customers:

	<b>Six months ended 30 September</b>	
	<b>2024</b>	<b>2023</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>58,554</b>	110,542
Interior design services	<b>442</b>	276
Sales of construction consumables	<b>—</b>	904
	<b>58,996</b>	111,722
<b>Petroleum business</b>		
Sales of petroleum	<b>36,740</b>	185,446
<b>Farming business</b>		
Sales of grain oil	<b>43,664</b>	—
Sales of agricultural produce	<b>1,616</b>	3,982
Sales of agricultural consumables	<b>11</b>	585
	<b>45,291</b>	4,567
<b>Total</b>	<b>141,027</b>	301,735
<b>Geographical markets:</b>		
Hong Kong	<b>58,996</b>	110,818
Mainland China	<b>82,031</b>	190,917
<b>Total</b>	<b>141,027</b>	301,735
<b>Timing of revenue recognition:</b>		
A point in time	<b>82,031</b>	190,917
Over-time	<b>58,996</b>	110,818
<b>Total</b>	<b>141,027</b>	301,735



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>2024</b>	2023
	<i><b>HK\$'000</b></i>	<i><b>HK\$'000</b></i>
	<b>(Unaudited)</b>	(Unaudited)
Construction and engineering related business	<b>58,996</b>	111,722
Petroleum business	<b>36,740</b>	185,446
Farming business	<b>45,291</b>	4,567
	<hr/>	<hr/>
<b>Revenue from contracts with customers</b>	<b>141,027</b>	301,735
Farmland leasing	<b>2,977</b>	2,871
	<hr/>	<hr/>
<b>Total</b>	<b>144,004</b>	304,606
	<hr/> <hr/>	<hr/> <hr/>

#### **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 2024, the Group commenced the bio-energy business, which includes production of renewable energy such as biogas from organic wastages. It is considered as a new operating and reportable segment by the CODM since the year ended 31 March 2024.

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
- c. Farming business – Plantation, sales of agricultural produce, agricultural consumables and grain oil, farmland leasing and other related business
- d. Bio-energy business – Production of renewable energy such as biogas from organic wastages

**(a) Segment revenues and results**

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

**For the six months ended 30 September 2024 (Unaudited)**

	Construction and engineering related business <i>HK\$'000</i>	Petroleum business <i>HK\$'000</i>	Farming business <i>HK\$'000</i>	Bio-energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	58,996	36,740	48,268	–	144,004
Segment results	(8,652)	(155)	(3,220)	(3,050)	(15,077)
Unallocated corporate income					92
Unallocated corporate expenses					(4,306)
Loss before tax					(19,291)

**For the six months ended 30 September 2023 (Unaudited)**

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

**(b) Segment assets and liabilities**

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

**As at 30 September 2024 (Unaudited)**

	Construction and engineering related business <i>HK\$'000</i>	Petroleum business <i>HK\$'000</i>	Farming business <i>HK\$'000</i>	Bio-energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	103,489	2,488	41,514	228,906	376,397
Unallocated assets					4,353
					<u>380,750</u>
Reportable segment liabilities	(25,586)	(2,607)	(11,572)	(191,264)	(231,029)
Unallocated liabilities					(14,570)
					<u>(245,599)</u>

**As at 31 March 2024 (Audited)**

	Construction and engineering related business <i>HK\$'000</i>	Petroleum business <i>HK\$'000</i>	Farming business <i>HK\$'000</i>	Bio-energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	105,836	24,287	15,986	131,447	277,556
Unallocated assets					14,154
					<u>291,710</u>
Reportable segment liabilities	(47,401)	(7,753)	(1,092)	(65,362)	(121,608)
Unallocated liabilities					(15,712)
					<u>(137,320)</u>

**5. OTHER INCOME AND OTHER GAIN OR LOSS, NET**

	<b>Six months ended 30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other income</b>		
Bank interest income	92	442
Dividend income	–	1
Exchange difference, net	(5)	–
Government grants	15	–
Claim from insurance company	268	–
Sundry income	73	5
	<u>443</u>	<u>448</u>
<b>Other gain (loss)</b>		
Gain (loss) from change in fair value of financial assets at fair value through profit or loss	<u>1</u>	<u>(2)</u>
	<u><u>444</u></u>	<u><u>446</u></u>

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

	<b>Six months ended 30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Impairment losses recognised (reversed) on:		
– trade receivables	1,541	(867)
– unbilled revenue	8	78
– retention receivables	2,378	393
– other receivables	(13)	43
	<u>3,914</u>	<u>(353)</u>
	<u><u>3,914</u></u>	<u><u>(353)</u></u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	–	21
	<u>–</u>	<u>21</u>
Under-provision in prior years:		
PRC Enterprise Income Tax	756	–
	<u>756</u>	<u>–</u>
	<u><u>756</u></u>	<u><u>21</u></u>

## 8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	700	345
Depreciation of right-of-use assets	1,408	527
Cost of inventories recognised as expense	83,201	189,428
Directors' emoluments:		
Fee, salaries and other benefits	3,185	3,514
Contributions to retirement benefit scheme	25	27
	<u>3,210</u>	<u>3,541</u>
Other employee benefits expense:		
Salaries and other benefits	6,944	5,115
Contributions to retirement benefit scheme	764	600
	<u>7,708</u>	<u>5,715</u>
Total employee benefits expense, including directors' emoluments	<u><u>10,918</u></u>	<u><u>9,256</u></u>

## 9. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2024 (six months ended 30 September 2023: Nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2024 (six months ended 30 September 2023: 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:

	<b>Six months ended 30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u><b>(19,656)</b></u>	<u><b>(7,097)</b></u>
	<b>2024</b>	<b>2023</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><b>1,494,000</b></u>	<u><b>1,494,000</b></u>

No diluted loss per share for both the six months ended 30 September 2024 and 2023 were presented as there were no potential ordinary share in issue for both the six months ended 30 September 2024 and 2023.

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

During the six months ended 30 September 2024, additions of property, plant and equipment were approximately HK\$88,646,000 (six months ended 30 September 2023: approximately HK\$1,211,000) and additions of right-of-use assets were approximately HK\$6,550,000 (six months ended 30 September 2023: HK\$11,701,000). The additions mainly represent additions of treatment facilities, which are under construction and will be used for treatment of organic wastages for energy transformation for bio-energy business, additions of interests in leasehold land in the People's Republic of China ("PRC") for farmland leasing and additions of apple trees cultivated by the Group.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 September 2024 <i>HK\$'000</i> (Unaudited)</b>	31 March 2024 <i>HK\$'000</i> (Audited)
Trade receivables		
– contracts with customers	41,272	28,313
– operating lease receivables	729	226
Less: Allowance for credit losses	<u>(16,170)</u>	<u>(14,644)</u>
	<u>25,831</u>	<u>13,895</u>
Other receivables, prepayments and deposits	45,651	69,928
Less: Allowance for credit losses	<u>(646)</u>	<u>(659)</u>
Total other receivables, net	45,005	69,269
Prepayments and deposits paid classified as non-current asset	<u>(16,275)</u>	<u>(17,590)</u>
Other receivables, net	<u>28,730</u>	<u>51,679</u>
Trade and other receivables, net	<u><u>54,561</u></u>	<u><u>65,574</u></u>

The Group generally allows a credit period from 0 to 120 days (31 March 2024: 0 to 120 days) to its customers.

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

	<b>30 September 2024 <i>HK\$'000</i> (Unaudited)</b>	31 March 2024 <i>HK\$'000</i> (Audited)
0–30 days	15,066	4,036
31–60 days	2,600	712
61–90 days	218	119
91–180 days	1,416	440
Over 180 days	<u>22,701</u>	<u>23,232</u>
	<u><u>42,001</u></u>	<u><u>28,539</u></u>

### 13. TRADE AND OTHER PAYABLES

The credit period on trade payables are generally 0 to 90 days (31 March 2024: 0 to 90 days).

	<b>30 September 2024 HK\$'000 (Unaudited)</b>	31 March 2024 HK\$'000 (Audited)
Trade payables	20,365	14,970
Other payables and accruals	40,377	24,336
Amounts due to directors	11,616	8,952
	<u>72,358</u>	<u>48,258</u>
Other payables classified as non-current liabilities	(28)	(28)
	<u>72,330</u>	<u>48,230</u>

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

	<b>30 September 2024 HK\$'000 (Unaudited)</b>	31 March 2024 HK\$'000 (Audited)
0–30 days	4,899	706
31–60 days	816	203
61–90 days	32	–
91–180 days	513	–
Over 180 days	14,105	14,061
	<u>20,365</u>	<u>14,970</u>

### 14. BORROWINGS

During the current interim period, the Group had additional borrowings amounting to approximately HK\$106,298,000 (six months ended 30 September 2023: approximately HK\$29,852,000) and has repaid borrowings amounting to approximately HK\$19,807,000 (six months ended 30 September 2023: approximately HK\$21,669,000). As at 30 September 2024, the borrowings carried interest rates at 4.5%-6% and Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.35% (2023: 6% and HIBOR plus 2.35%) and are repayable within 1-7 years (2023: 1 year).



## 15. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2024 and 2023, the Company has the following transactions with the following related parties:

(a)		<b>30 September 2024 HK\$'000 (Unaudited)</b>	30 September 2023 HK\$'000 (Unaudited)
Company	Transactions		
Mr. Liu Zhancheng (“ <b>Mr. Liu</b> ”) ( <i>Note 1</i> )	New borrowings from Mr. Liu	<b>2,000</b>	–
Shandong Fujincheng Investment Co., Ltd (“ <b>Shandong Fujincheng</b> ”) ( <i>Note 2</i> )	Loan interest expense	<b>1,484</b>	–
	New borrowings from Shandong Fujincheng	<b>25,537</b>	–

*Note:*

- Mr. Liu is the director of the Company.
- Mr. Liu is the shareholder of Shandong Fujincheng and the common director of Shandong Fujincheng and the Company.

### (b) Compensation of key management personnel

Key management personnel includes all Directors. The remuneration of key management personnel during the six months ended 30 September 2024 and 2023 are as follows:

	<b>30 September 2024 HK\$'000 (Unaudited)</b>	30 September 2023 HK\$'000 (Unaudited)
Fee, salaries and other benefits	<b>3,185</b>	3,514
Contributions to retirement benefit scheme	<b>25</b>	27
	<b>3,210</b>	3,541

## 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, petroleum trading and farming businesses and bio-energy business in Mainland China and Hong Kong.

The Group experienced a net loss of approximately HK\$20.0 million for the six months ended 30 September 2024. The Board considers that the net loss was mainly attributable to (i) the decrease in revenue due to the decrease in petroleum and construction and engineering related business; (ii) increase in impairment loss on long outstanding trade and other receivables mainly from the Group's construction and engineering related business; (iii) increase in administrative, operating and finance expenses; and (iv) the Group's investments in the construction of two bio-nature gas projects have yet to contribute revenue for the six months ended 30 September 2024.

The world economic outlook remains challenging due to trade conflicts, geopolitical tensions and high interest environment. Hong Kong and China property markets are still under the threat of weak demand and high interest rate, resulting in slowing business and increasing in bad debts.

In recent years 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 Group 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's Bio-energy projects which were listed as a critical project in Shandong Province were successfully completed in construction, and are expected to generate revenue and contribute to profits in the second half of our financial year. The Group is confident that the project 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 realizing the ecological and social benefits of a circular economy.

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

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately HK\$304.6 million for the six months ended 30 September 2023 to approximately HK\$144.0 million for the six months ended 30 September 2024, representing a decrease of approximately HK\$160.6 million or approximately 52.7%. Such decrease was mainly due to i) reduced scale of petroleum trading business; and ii) decrease in fitting-out and renovation projects undertaken by the Group for the six months ended 30 September 2024.

### **Direct costs**

The direct costs decreased from approximately HK\$300.7 million for the six months ended 30 September 2023 to approximately HK\$143.9 million for the six months ended 30 September 2024, representing a decrease of approximately HK\$156.8 million or approximately 52.1%. Such decrease was mainly attributable to i) reduced scale of petroleum trading business; and ii) decrease in subcontracting charges and direct labour cost for the period.

### **Gross profit and gross profit margin**

Gross profit decreased by approximately 95.0% from approximately HK\$4.0 million for the six months ended 30 September 2023 to approximately HK\$0.2 million for the six months ended 30 September 2024. Such decrease was mainly due to the decrease in revenue in petroleum trading business and construction and engineering related services business.

### **Impairment losses (recognised) reversed under expected credit loss model, net**

The Group's impairment loss, net of reversal, represents a provision for impairment loss allowance of trade and other receivables and contract assets. The Group recorded impairment loss under expected credit loss model of approximately HK\$3.9 million for the six months ended 30 September 2024 as compared to impairment credit of HK\$0.4 million for the six months ended 30 September 2023. Such impairment loss was mainly attributable to the long outstanding of trade receivables during the period.

### **Selling expenses**

Selling expenses of the Group increased by approximately HK\$0.8 million from approximately HK\$0.9 million for the six months ended 30 September 2023 to approximately HK\$1.7 million for the six months ended 30 September 2024. The Group's selling expenses increase was due to the increase in expenses for bio-energy business.

### **Administrative and other operating expenses**

Administrative and other operating expenses increased by approximately 15.0% from approximately HK\$10.7 million for the six months ended 30 September 2023 to approximately HK\$12.3 million for the six months ended 30 September 2024. The increase in administrative and other operating expenses was mainly due to the increase in expenses for the bio-energy business for the six months ended 30 September 2023.

## **Finance costs**

Finance costs increased from approximately HK\$0.4 million for the six months ended 30 September 2023 to approximately HK\$1.9 million for the six months ended 30 September 2024. Such increase was mainly due to the increase in bank borrowings for the six months ended 30 September 2024. 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\$20.0 million and HK\$19.2 million respectively for the six months ended 30 September 2024 (six months ended 30 September 2023: loss and total comprehensive expense for the period attributable to the owners of the Company of approximately HK\$7.1 million and HK\$11.6 million respectively).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2024, the Group had total assets of approximately HK\$380.8 million (31 March 2024: approximately HK\$291.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$245.6 million (31 March 2024: approximately HK\$137.3 million) and approximately HK\$135.2 million (31 March 2024: approximately HK\$154.4 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2024, the Group had bank balances and cash of approximately HK\$27.0 million (31 March 2024: approximately HK\$23.9 million). The total interest-bearing borrowings of the Group as at 30 September 2024 were approximately HK\$149.3 million (31 March 2024: approximately HK\$61.1 million), and current ratio as at 30 September 2024 was approximately 0.9 times (31 March 2024: approximately 1.2 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 2024.

## **GEARING RATIO**

The gearing ratio of the Group as at 30 September 2024 was approximately 118.8% (31 March 2024: approximately 48.8%). 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 2024.

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 2024, 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 2024: approximately HK\$6.0 million).

As at 30 September 2024, 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 2024: approximately HK\$3.4 million).

As at 30 September 2024, the Group paid a cash collateral of approximately HK\$3.3 million (31 March 2024: approximately HK\$9.2 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 2024 and up to the date of this announcement. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2024, 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\$135.3 million as at 30 September 2023 (31 March 2024: HK\$185.6 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 interim report, 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 30 September 2024, 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 30 September 2024, 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 2024, 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 2024, 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 2024.

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

During the six months ended 30 September 2024, 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\$28,704,000 as at 30 September 2024 (31 March 2024: approximately HK\$26,362,000). 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 2024, the Group paid a cash collateral of approximately HK\$3,331,000 (31 March 2024: approximately HK\$9,216,000) 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 2024, the Group employed a total of 92 employees (six months ended 30 September 2023: 54 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$10.9 million for the six months ended 30 September 2024 (six months ended 30 September 2023: approximately HK\$9.3 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 2024 (six months ended 30 September 2023: Nil).

## **DISCLOSEABLE TRANSACTIONS**

### **1. LAND USE RIGHTS TRANSFER AGREEMENT (“LAND ACQUISITION”)**

On 29 March 2024, Standard Bio (Juancheng) Co., Ltd. (“**Standard Bio (Juancheng)**”) and the Juancheng County Natural Resources and Planning Bureau (as transferor) have entered into the land use rights transfer agreement, pursuant to which the Juancheng County Natural Resources and Planning Bureau has agreed to transfer the land use rights of a piece of land with an area of 70,808 sq.m. located north of Weiwu Road and east of Shuijiaodi, Beijie Village, Juancheng County, Heze City, Shandong Province, the PRC to Standard Bio (Juancheng) at a total consideration of RMB10,630,000.

### **2. ANAEROBIC FACILITIES CONSTRUCTION AGREEMENT (“ANAEROBIC FACILITIES CONSTRUCTION”)**

On 13 September 2023, Standard Bio (Juye) Co., Ltd. (“**Standard Bio (Juye)**”) and Hebei Wansheng Environmental Construction Co., Ltd. (“**Wansheng Environmental**”) (as contractor) have entered into the anaerobic facilities construction agreement, pursuant to which Standard Bio (Juye) has agreed to engage Wansheng Environmental for the provision of construction services for the construction work in relation to anaerobic facilities at a total contract sum of RMB25,105,850.

### **3. CONSTRUCTION AGREEMENT (“CONSTRUCTION”)**

On 9 September 2023, Standard Bio (Juye) and Shandong Tengde Construction Group Co., Ltd. (“**Shandong Tengde**”) (as contractor) have entered into the construction agreement, pursuant to which Standard Bio (Juye) has agreed to engage Shandong Tengde for the provision of land construction and development services for the construction work pursuant to the construction agreement at a total contract sum of RMB31,795,467.53.



The Company should have complied with the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules in respect of each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition, which constituted a discloseable transaction, as and when such obligations arose. The Company did not comply with the announcement requirement under Chapter 14 of the Listing Rules due to a misunderstanding amongst the operations team of the Group that each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition was in the ordinary and usual course of business of the Group and part of the day-to-day business activities of the Group.

The Board has implemented certain remedial actions and measures for the avoidance of future occurrence of non-compliance of the Listing Rules.

For details, please refer to the announcement of the Company dated 27 June 2024.

### **EVENTS AFTER REPORTING PERIOD**

Save as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2024 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 2024.

### **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 2024.

### **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 2024.

## 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 2024, no share option was granted, exercised, expired, cancelled or lapsed and there was no outstanding share option under the Scheme as at 1 April 2024 and 30 September 2024.

112,000,000 options and 112,000,000 options were available for grant under the Scheme Mandate as at 1 April 2024 and 30 September 2024, 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 C1 to the Listing Rules. During the six months ended 30 September 2024, 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, C.1.8 and F.2.2 of the CG Code.

The 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.

The code provision C.1.8 of the CG Code provides that an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. During the six months ended 30 September 2024, the Company did not arrange any insurance for the Directors. Each Directors possesses the requisite qualification and experience to fulfill his/her duty for the Company. The Company estimates that the risk of any event for which any Directors shall take responsibility in the reasonably foreseeable future is remote. Therefore, the Company has not arranged appropriate insurance cover for the Directors.

The code provision F.2.2 of the CG Code provides that the chairman of the board of directors of a listed issuer should attend the annual general meeting. Mr. Liu Zhancheng, the chairman of the Board, was unable to attend the rescheduled annual general meeting held on 9 September 2024 (“AGM”) due to other engagement. Mr. Xu Jing, an executive Director, was appointed to chair the AGM.

## **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 2024, 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, 29 November 2024

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