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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 2022

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 2022, together with the comparative figures for the six months ended 30 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Notes	Six months ended	
		30 September	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	319,348	73,818
Direct costs		<u>(317,017)</u>	<u>(72,031)</u>
Gross profit		2,331	1,787
Other income and loss, net	5	1,431	131
Impairment losses under expected credit loss model, net of reversal	6	(679)	(2,712)
Administrative and other operating expenses		(10,298)	(8,694)
Finance costs		<u>(287)</u>	<u>(201)</u>
Loss before tax		(7,502)	(9,689)
Income tax expense	7	<u>(1,420)</u>	<u>(70)</u>
Loss for the period	8	<u>(8,922)</u>	<u>(9,759)</u>
Other comprehensive expense			
<i>Item that be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operation		<u>(4,384)</u>	<u>—</u>
Other comprehensive expense for the period, net of income tax		<u>(4,384)</u>	<u>—</u>
Total comprehensive expense for the period		<u>(13,306)</u>	<u>(9,759)</u>
Loss per share	10		
Basic (HK cents)		(0.66)	(0.85)
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	<i>11</i>	2,376	2,539
Right-of-use assets		2,124	2,984
Investments in life insurance contracts		3,140	3,140
Deferred tax assets		3,485	3,485
		<u>11,125</u>	<u>12,148</u>
Current assets			
Inventory		301	–
Trade and other receivables	<i>12</i>	66,798	57,956
Contract assets		34,142	43,106
Financial assets at fair value through profit or loss		10	12
Tax recoverable		994	994
Bank balances and cash		51,565	139,538
		<u>153,810</u>	<u>241,606</u>
Current liabilities			
Trade and other payables	<i>13</i>	16,415	89,736
Borrowings		13,885	13,371
Lease liabilities		942	1,277
Tax payable		508	2,357
		<u>31,750</u>	<u>106,741</u>
Net current assets		<u>122,060</u>	<u>134,865</u>
Total assets less current liabilities		<u>133,185</u>	<u>147,013</u>
Non-current liabilities			
Lease liabilities		1,167	1,689
NET ASSETS		<u>132,018</u>	<u>145,324</u>
Capital and reserves			
Share capital	<i>14</i>	13,440	13,440
Reserves		118,578	131,884
Total equity		<u>132,018</u>	<u>145,324</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, and trading businesses in Mainland China and Hong Kong.

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

2. BASIS OF PREPARATION

The 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 2022.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group's annual period beginning on or after 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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 period 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	67,466	73,818
Mainland China	251,882	—
Total	319,348	73,818
Timing of revenue recognition:		
A point in time	251,408	—
Over-time	67,940	73,818
Total	319,348	73,818

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction and engineering related business		
Construction and engineering related services	67,547	70,585
Interior design services	393	3,233
	<u>67,940</u>	<u>73,818</u>
Trading business		
Consumables	1,032	–
Petroleum	250,376	–
	<u>251,408</u>	<u>–</u>
Revenue from contracts with customers	<u><u>319,348</u></u>	<u><u>73,818</u></u>

4B. OPERATING SEGMENTS

Information reported to the board of directors of the Company (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.

For the six months ended 30 September 2022, the Group’s reportable segments under HKFRS 8 *Operating Segments* is provision of construction and engineering related services in Hong Kong. Since this was the only reportable and operating segment of the Group, no segment information in relation to the revenues and results, assets and liabilities and other information was presented for the six months ended 30 September 2022.

Subsequent to the six months ended 30 September 2021, the Group commenced the business engaging in trading of consumables and petroleum and it is considered as a new operating and reportable segment by the CODM.

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 and interior design services
- b. Trading business – trading of consumables and petroleum

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 2022

	Construction and engineering related business	Trading business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>67,490</u>	<u>251,408</u>	<u>319,348</u>
Segment results	<u>(4,008)</u>	<u>6,734</u>	<u>2,726</u>
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 CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. OTHER INCOME AND LOSS, NET

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	548	1
Dividend income	1	1
Exchange difference, net	308	–
Government grants (<i>Note</i>)	508	–
Sundry income	68	131
	<u>1,433</u>	<u>133</u>
Other loss		
Loss from change in fair value of financial assets at fair value through profit or loss	(2)	(2)
	<u>1,431</u>	<u>131</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 UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Impairment losses (reversal of) recognised on:		
– trade receivables (<i>Note a</i>)	1,220	1,036
– unbilled revenue	(254)	77
– retention receivables (<i>Note b</i>)	(294)	1,598
– other receivables	7	1
	<u>679</u>	<u>2,712</u>

Notes:

- (a) During the six months ended 30 September 2021, the Group provided impairment allowance of approximately HK\$1,036,000, net of reversal of impairment allowance of approximately HK\$3,413,000, on trade receivables, which mainly represents a specific loss allowance of approximately HK\$3,149,000 has been made to an individual debtor, PKNG Development and Project Management Limited (“PKNG”) due to the legal disputes with the Group.
- (b) During the six months ended 30 September 2021, the Group provided impairment allowance of approximately HK\$1,598,000, net of reversal of impairment allowance of approximately HK\$1,234,000, on retention receivables, which mainly represents a specific loss allowance of approximately HK\$392,000 has been made to an individual debtor, PKNG due to the legal disputes with the Group.

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	–	70
PRC Enterprise Income Tax	<u>1,420</u>	<u>–</u>
	<u>1,420</u>	<u>70</u>

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of plant and equipment	531	259
Depreciation of right-of-use asset	861	556
Directors' emoluments:		
Fee, salaries and other benefits	3,412	2,736
Contributions to retirement benefit scheme	<u>27</u>	<u>28</u>
	<u>3,439</u>	<u>2,764</u>
Employee benefits expense:		
Salaries and other benefits	8,567	11,021
Contributions to retirement benefit scheme	<u>378</u>	<u>321</u>
	<u>8,945</u>	<u>11,342</u>
Total employee benefits expense, including directors' emoluments	<u>12,384</u>	<u>14,106</u>

9. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 September 2022 (six months ended 30 September 2021: Nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 September 2022 (six months ended 30 September 2021: 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(8,922)	(9,759)
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,344,000	1,151,733

The weighted average number of ordinary shares as at 30 September 2021 has been adjusted for the rights issue issued on 14 September 2021.

No diluted loss per share for both the six months ended 30 September 2022 and 2021 were presented as there is no potential ordinary share in issue for both the six months ended 30 September 2022 and 2021.

11. PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired plant and equipment of approximately HK\$368,000 (six months ended 30 September 2021: approximately HK\$19,000).

12. TRADE AND OTHER RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables from contracts with customers	69,473	54,637
Less: Allowance for credit losses	(15,712)	(14,492)
	53,761	40,145
Other receivables, prepayments and deposits	13,608	18,375
Less : Allowance for credit losses	(571)	(564)
	66,798	57,956

The Group's generally allows a credit period from 0 to 90 days (31 March 2022: 30 days) to its customers.

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0–30 days	28,228	22,169
31–60 days	6,358	1,472
61–90 days	2,519	2,016
91–180 days	956	8,724
Over 180 days	31,412	20,256
	69,473	54,637
Less: Allowance for credit losses	(15,712)	(14,492)
	53,761	40,145

13. TRADE AND OTHER PAYABLES

The credit period on trade payables are generally 0 to 90 days (31 March 2022: 0 to 30 days).

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	6,246	82,337
Other payables and accruals	7,456	6,382
Amounts due to directors	2,713	1,017
	<u>16,415</u>	<u>89,736</u>

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

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
0–30 days	1,170	74,222
31–60 days	5	7
61–90 days	1	–
91–180 days	–	7,652
Over 180 days	5,070	456
	<u>6,246</u>	<u>82,337</u>

14. SHARE CAPITAL

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

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2022 and 30 September 2022	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2022 and 30 September 2022	1,344,000,000	13,440

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 2022 and 2021.

(b) Compensation of key management personnel

Key management includes executive directors and senior management. The remuneration of key management during the six months ended 30 September 2022 and 2021 are as follows:

	30 September 2022 <i>HK\$'000</i> (Unaudited)	30 September 2021 <i>HK\$'000</i> (Unaudited)
Fee, salaries and other benefits	3,412	2,103
Contribution to retirement benefit scheme	27	20
	3,439	2,123

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in construction and engineering related businesses in Mainland China and Hong Kong, including interior fitting-out and renovation services, alteration and addition (“A&A”) works for properties, and trading businesses.

The Company experienced a net loss of approximately HK\$8.9 million for the six months ended 30 September 2022. The Board considers that the net loss was mainly attributable to (i) the decrease in gross profit margin of the Group’s construction and engineering projects in Hong Kong area due to the delays in certifying the completion of projects; (ii) the increase in administrative and other operating expenses for new office in HK and the Mainland China, such as depreciation for right-of-use asset.

In view of the ongoing impact of the COVID-19 pandemic in Mainland China and Hong Kong, the Board has been actively deploying the Group’s construction and engineering related business and trading business in Mainland China starting from the second half of 2021. These new businesses have so far brought new revenue streams and started to contribute earnings to the Group.

Meanwhile, the Group was adversely affected by the decline in gross profit margin due to the adoption of a more competitive pricing strategy for our Hong Kong businesses in the highly competitive market, as well as the delay in construction progress and reduction in new construction contracts as a result of the COVID-19 pandemic.

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 that 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.

Looking ahead, both Mainland China and Hong Kong will continue to be put to the test by the pandemic. The Group will actively prepare for the challenges by developing new sources of income and reducing expenditure, and strive to achieve better returns for our shareholders.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK\$73.8 million for the six months ended 30 September 2021 to approximately HK\$319.3 million for the six months ended 30 September 2022, representing an increase of approximately HK\$245.5 million or approximately 332.6%. Such increase was mainly due to i) an increase in the revenue business which includes trading business and construction and engineering related businesses in Mainland China; and ii) the increase in the number of fitting-out and renovation projects undertaken by the Group for the six months ended 30 September 2022.

Direct Costs

The direct costs increased from approximately HK\$72.0 million for the six months ended 30 September 2021 to approximately HK\$317.3 million for the six months ended 30 September 2022, representing an increase of approximately HK\$245.3 million or approximately 340.1%. Such increase was mainly attributable to i) an increase in the revenue business which includes trading business and construction and engineering related businesses in Mainland China; and ii) the increase in subcontracting charges and direct labour cost for the period.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 30.4% from approximately HK\$1.8 million for the six months ended 30 September 2021 to approximately HK\$2.3 million for the six months ended 30 September 2022. Such increase was mainly due to the increase in revenue in Mainland China. As a result of the adoption of competitive project pricing in response to the intense market competition, the gross profit margin decreased from approximately 2.4% for the six months ended 30 September 2021 to approximately 0.7% for the six months ended 30 September 2022.

Administrative and other Operating Expenses

Administrative and other operating expenses increased by approximately 14.9% from approximately HK\$8.7 million for the six months ended 30 September 2021 to approximately HK\$10.3 million for the six months ended 30 September 2022. The increase in administrative and other operating expenses was mainly due to the net-off effect from i) an increase in operation expense for new office in HK and the Mainland China, such as depreciation for right-of-use asset; and ii) an decrease in staff costs including directors' emoluments for the six months ended 30 September 2022.

Finance Costs

Finance costs increased from approximately HK\$0.2 million for the six months ended 30 September 2021 to approximately HK\$0.3 million for the six months ended 30 September 2022. Such increase was mainly due to the increase in bank borrowings for the six months ended 30 September 2022. 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\$8.9 million and HK\$13.3 million respectively for the six months ended 30 September 2022 (six months ended 30 September 2021: loss and total comprehensive expense for the period attributable to the owners of the Company of approximately HK\$9.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group had total assets of approximately HK\$164.9 million (31 March 2022: approximately HK\$253.8 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$32.9 million (31 March 2022: approximately HK\$108.4 million) and approximately HK\$132.0 million (31 March 2022: approximately HK\$145.3 million), respectively.

The Group maintained a healthy financial position during the period. As at 30 September 2022, the Group had bank balances and cash of approximately HK\$51.6 million (31 March 2022: approximately HK\$139.5 million). The total interest-bearing borrowings of the Group as at 30 September 2022 were approximately HK\$13.9 million (31 March 2022: approximately HK\$13.4 million), and current ratio as at 30 September 2022 was approximately 4.8 times (31 March 2022: approximately 2.3 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 2022.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2022 was approximately 12.1% (31 March 2022: approximately 11.2%). The increase in the Group's gearing ratio was mainly due to a increase in bank borrowings as a result of the obtainment of loan from the bank during the six months ended 30 September 2022.

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 2022, 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 2022: approximately HK\$6.0 million).

As at 30 September 2022, the Group pledged its life insurance policies to a bank of approximately HK\$3.0 million to secure the banking facilities granted to the Group (31 March 2022: approximately HK\$3.0 million).

As at 30 September 2022, the Group paid a cash collateral of approximately HK\$4.0 million (31 March 2022: approximately HK\$3.7 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

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

On 14 September 2021, the number of issued share capital of the Company increased to 1,344,000,000 shares as a result of the completion of the Right Issue.

As at 30 September 2022, the Company's issued share capital was HK\$13.4 million and the number of its issued ordinary shares was 1,344,000,000 of HK\$0.01 each.

COMMITMENTS

The Group have capital commitment with approximately HK\$126.6 million as at 30 September 2022 (31 March 2022: HK\$126.6 million) which represented the capital contribution to Standard Development (Shan Dong) Limited.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE (THE “SUBSCRIPTION”)

On 23 August 2022, the Company as issuer entered into the subscription agreement with Fujincheng Investment Holdings Co., Ltd. (“FUJINCHENG”) as subscriber, who is a controlling shareholding and connected person of the Company as defined in the Listing Rules. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue, and FUJINCHENG has conditionally agreed to subscribe for, an aggregate of 150,000,000 new Shares at the subscription price of HK\$0.23 per subscription share.

Completion of the Subscription took place on 27 October 2022 upon which an aggregate 150,000,000 subscription shares had been issued and allotted to FUJINCHENG at the subscription price of HK\$0.23 per subscription share pursuant to the terms and conditions of the subscription agreement. The subscription shares were issued and allotted pursuant to the specific mandate approved by the shareholders at the Company’s extraordinary general meeting held on 21 October 2022.

The Company intends to apply the net proceeds from the Subscription of HK\$34.1 million in the following manner: (a) approximately HK\$3.4 million (or approximately 10%) of which will be used for the Group’s general working capital; and (b) approximately HK\$30.7 million (or approximately 90%) of which will be used for trading of petroleum products. The expected timeline of utilising approximately HK\$30.7 million of the net proceeds from the Subscription will be within three months after the Company’s receipt of proceeds from the Subscription.

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 said proceedings are currently ongoing. 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.
- (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. 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. According to the Statement of Claim, PKNG 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. The said proceedings are currently ongoing.
- (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. The said proceedings are currently ongoing.
- (v) On 17 October 2022, Shi Xinwei, an employee employed by a sub-contractor of Ample Construction, brought an employee’s compensation claim in the District Court against Ample Construction, as the 2nd Defendant. According to the application, the amount claimed as compensation is subject to Court’s determination. The said proceedings are currently ongoing.

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 2022.

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

During the six months ended 30 September 2022, 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\$15,853,000 as at 30 September 2022 (31 March 2022: approximately HK\$14,088,000). The Company and Ample Construction have unconditionally and irrevocably agreed to indemnify the insurance company that issued such surety bonds for claims and losses the insurance company may incur in respect of the surety bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract. As at 30 September 2022, the Group paid a cash collateral of approximately HK\$4,020,000 (31 March 2022: approximately HK\$3,421,000) to an insurance company for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed a total of 39 employees (six months ended 30 September 2021: 79 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$8.3 million for the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK\$11.3 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 2022 (six months ended 30 September 2021: Nil).

USE OF PROCEEDS

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

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$51.2 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing to 30 September 2022 is set out below:

	Planned use of Net Proceeds as stated in the Prospectus up to 30 September 2022 <i>HK\$'000</i>	Actual use of Net Proceeds up to 30 September 2022 <i>HK\$'000</i>	Unutilised Net Proceeds up to 30 September 2022 <i>HK\$'000</i>	Date by which Net Proceeds are expected to be fully utilised
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in Hong Kong	20,941	20,941	–	–
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	5,785	5,785	–	–
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	9,933	9,933	–	–
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	9,421	8,200	1,221	31 March 2023
General working capital	5,120	5,120	–	–
	<u>51,200</u>	<u>49,979</u>	<u>1,221</u>	
Total	<u>51,200</u>	<u>49,979</u>	<u>1,221</u>	

(ii) Net proceeds of Rights Issue

The actual net proceeds from the Rights Issue, after deduction of all expenses borne by the Company in connection with the Rights Issue, were approximately HK\$48.1 million (the “**Actual Net Proceeds**”), which were higher than the estimated net proceeds of approximately HK\$47.0 million as stated in the prospectus of the Company dated 23 August 2021 (the “**Rights Issue Prospectus**”). As such, the Company has adjusted the use of proceeds in the same manner and in the same proportion as shown in the Rights Issue Prospectus, which is (i) approximately 75%, representing approximately HK\$36.1 million, will be used to start up the new business of the new subsidiary in Mainland China; and (ii) approximately 25%, representing approximately HK\$12.0 million, will be used towards the general working capital of the Company. After the Rights Issue, a part of these Actual Net Proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Rights Issue Prospectus.

An analysis of the utilisation of the Actual Net Proceeds up to 30 September 2022 is set out below:

	Adjusted allocation of the Actual Net Proceeds <i>HK\$'000</i>	Actual use of net proceeds up to 30 September 2022 <i>HK\$'000</i>	Unutilised net proceeds up to 30 September 2022 <i>HK\$'000</i>	Date by which net proceeds are expected to be fully utilised
To start up the new business of the new Subsidiary in Mainland China	36,060	16,157	19,903	31 March 2023
General working capital of the Company	<u>12,020</u>	<u>10,143</u>	<u>1,877</u>	31 March 2023
	<u>48,080</u>	<u>26,300</u>	<u>21,780</u>	

As at 30 September 2022, the actual use of proceeds was less than the estimated use of net proceeds but had been applied in the same manner as specified in the sections headed “Business Objective and Use of Proceeds” and “Reasons for the Rights Issue and the Use of Proceeds” of the prospectuses of listing in main board of the Stock Exchange and Rights Issue, respectively. The net proceeds of listing from GEM to the main board of the Stock Exchange and the Rights Issue with approximately HK\$1.2 million and approximately HK\$21.8 million respectively had not yet been utilised as at 30 September 2022 and was deposited into licensed banks in Hong Kong.

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

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2022 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 2022.

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 2022.

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 2022.

SHARE OPTION SCHEMES

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

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

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

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

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

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

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

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

For the six months ended 30 September 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledge the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules. During the six months ended 30 September 2022, 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 three executive Directors also provides added independence to the Board. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

AUDIT COMMITTEE

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

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

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

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

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, the interim report and the interim results announcement of the Group for the six months ended 30 September 2022, 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 2022

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