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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022 AND CHANGE IN USE OF PROCEEDS

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Standard Development Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 *HK$'000*	2021 *HK$'000*
Revenue	*3*	**306,558**	221,894
Direct costs		**(296,377)**	(207,992)
Gross profit		**10,181**	13,902
Other income, other gains and losses, net		**169**	2,580
Impairment losses under expected credit loss model, net of reversal	*4*	**(8,755)**	2,010
Loss on written-off of trade receivables		**(315)**	(700)
Administrative and other operating expenses		**(22,537)**	(14,950)
Finance costs	*5*	**(419)**	(992)
(Loss) profit before tax		**(21,676)**	1,850
Income tax credit (expense)	*6*	**666**	(844)
(Loss) profit for the year	*7*	**(21,010)**	1,006
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**518**	–
Other comprehensive income for the year, net of income tax		**518**	–
Total comprehensive (expense) income for the year		**(20,492)**	1,006
			(Restated)
(Loss) earnings per share	*9*		
– Basic (HK cents)		**(1.68)**	0.09
– Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**2,539**	835
Right-of-use assets		**2,984**	1,482
Investments in life insurance contracts		**3,140**	3,126
Deferred tax assets		**3,485**	597
		12,148	6,040
CURRENT ASSETS			
Trade and other receivables	*10*	**57,956**	70,689
Contract assets		**43,106**	39,969
Amounts due from related parties		**–**	811
Financial assets at fair value through profit or loss		**12**	14
Tax recoverable		**994**	945
Bank balances and cash		**139,538**	30,943
		241,606	143,371
CURRENT LIABILITIES			
Trade and other payables	*11*	**89,736**	6,588
Borrowings		**13,371**	23,572
Lease liabilities		**1,277**	1,191
Tax payable		**2,357**	–
		106,741	31,351
NET CURRENT ASSETS		**134,865**	112,020
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,013**	118,060
NON-CURRENT LIABILITIES			
Lease liabilities		**1,689**	355
NET ASSETS		**145,324**	117,705
CAPITAL AND RESERVES			
Share capital		**13,440**	11,200
Reserves		**131,884**	106,505
TOTAL EQUITY		**145,324**	117,705

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company					
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Retained profits**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)	*(Note b)*			
At 1 April 2020	11,200	53,085	876	–	51,538	116,699
Profit and total comprehensive income for the year	–	–	–	–	1,006	1,006
At 31 March 2021	11,200	53,085	876		52,544	117,705
Loss for the year	–	–	–	–	(21,010)	(21,010)
Other comprehensive income for the year:						
Item that may be subsequently reclassified to profit or loss:						
Exchange differences arising on translation of foreign operation	–	–	–	518	–	518
Other comprehensive income for the year, net of income tax	–	–	–	518	–	518
Total comprehensive income (expense) for the year	–	–	–	518	(21,010)	(20,492)
Issue of shares by right issue	2,240	47,040	–	–	–	49,280
Transaction costs attributable to rights issue	–	(1,169)	–	–	–	(1,169)
At 31 March 2022	**13,440**	**98,956**	**876**	**518**	**31,534**	**145,324**

Notes:

a) Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

b) Special reserve represents the reserve arose pursuant to the reorganisation for the purpose of listing the shares of the Company on 12 January 2017.

Notes:

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 effect 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 business and trading business.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 5 August 2021, the name of the Company was changed from "LKS Holding Group Limited" to "Standard Development Group Limited". The change of the Company's name become effective on 9 September 2021.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company. Other than the subsidiary established in the People's of Republic of China (the "**PRC**" or "**Mainland China**") whose function currency is Renminbi ("**RMB**"), the functional currency of its subsidiaries is HK$.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, Hong Kong Accounting Standard ("**HKAS**") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform– Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs Guideline 5 (Revised)	Annual Improvements to HKFRSs 2018-2020[1]

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

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As set out in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK$2,984,000 and HK$2,966,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE

Disaggregation of revenue from contracts with customers

	2022	2021
	HK$'000	*HK$'000*
Geographical markets:		
Hong Kong	**152,366**	221,894
Mainland China	**154,192**	–
Total	**306,558**	221,894
Timing of revenue recognition:		
A point in time	**146,410**	–
Over-time	**160,148**	221,894
Total	**306,558**	221,894

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

	2022	2021
	HK$'000	*HK$'000*
Construction and engineering related business		
Construction and engineering related services	**155,355**	215,916
Interior design services	**4,793**	5,978
	160,148	221,894
Trading business		
Consumables	**13,582**	–
Petroleum	**132,828**	–
	146,410	–
Revenue from contracts with customers	**306,558**	221,894

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

	2022	2021
	HK$'000	*HK$'000*
Impairment losses recognised (reversed) on:		
– trade receivables	**7,331**	(4,355)
– unbilled revenue	**246**	41
– retention receivables	**1,160**	2,175
– other receivables	**18**	129
	8,755	(2,010)

5. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interests on:		
– lease liabilities	**73**	41
– bank borrowings and overdrafts	**346**	951
	419	992

6. INCOME TAX (CREDIT) EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	969
PRC Enterprise Income Tax	**2,222**	–
	2,222	969
Over-provision in prior years		
Hong Kong	**–**	(20)
Deferred tax	**(2,888)**	(105)
	(666)	844

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

7. (LOSS) PROFIT FOR THE YEAR

	2022	2021
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration		
– Audit service	**720**	720
– Non-audit service	**300**	150
Depreciation of plant and equipment	**655**	961
Depreciation of right-of-use assets	**1,439**	1,113
Cost of inventories recognised as expense	**156,485**	12,536
Provision for litigation	**734**	267
Employee benefits expense:		
Salaries, bonus and other benefits in kind	**23,194**	18,177
Contributions to retirement benefit scheme	**761**	579
Total employee benefits expense, including directors' emoluments	**23,955**	18,756

During the year ended 31 March 2022, total employee benefits expense amounting to approximately HK$12,408,000 (2021: approximately HK$12,586,000) was included in direct costs and amounting to approximately HK$11,547,000 (2021: approximately HK$6,170,000) was included in administrative and other operating expenses.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2022	2021
	HK$'000	*HK$'000*
(Loss) profit for the year	**(21,010)**	1,006

	2022	2021
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,247,603**	1,132,043

No diluted (loss) earnings per share for both years ended 31 March 2022 and 2021 were presented as there were no potential ordinary shares in issue for both years ended 31 March 2022 and 2021.

The weighted average number of ordinary shares as at 31 March 2021 has been restated for the effect of the rights issue issued on 14 September 2021.

10. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**54,637**	54,647
Less: Allowance for credit losses	**(14,492)**	(7,161)
	40,145	47,486
Other receivables, prepayments and deposits *(Note)*	**18,375**	23,749
Less: Allowance for credit losses	**(564)**	(546)
	57,956	70,689

As at 1 April 2020, trade receivables from contracts with customers amounted to HK$52,955,000 (net of allowance of credit loss of approximately HK$11,516,000).

The Group generally allows a credit period from 0 to 90 days (2021: 30 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

Note: At 31 March 2022, included in other receivables was a collateral of approximately HK$3,741,000 (2021: approximately HK$3,421,000) paid to insurance companies for the issuance of surety bonds.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date.

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**22,169**	18,155
31 – 60 days	**1,472**	5,399
61 – 90 days	**2,016**	11,297
91 – 180 days	**8,724**	1,188
Over 180 days	**20,256**	18,608
	54,637	54,647
Less: Allowance for credit losses	**(14,492)**	(7,161)
	40,145	47,486

11. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**82,337**	2,913
Other payables and accruals	**6,382**	3,675
Amounts due to Directors	**1,017**	–
	89,736	6,588

The credit period on trade payables are generally 0 to 90 days (2021: 0 to 30 days).

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

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**74,222**	2,483
31 – 60 days	**7**	2
61 – 90 days	**–**	–
91 – 180 days	**7,652**	177
Over 180 days	**456**	251
	82,337	2,913

12. COMPARATIVE FIGURES

During the year ended 31 March 2022, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentation:

	Previous reported	Reclassification	As restated
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables	6,321	267	6,588
Provision for litigation	267	(267)	–

13. CAPITAL COMMITMENTS

	2022	2021
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statement:		
Unpaid registered capital for the subsidiary	**126,600**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the 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.

For the year ended 31 March 2022, the Group recorded revenue of approximately HK$306.6 million as compared to revenue of HK$221.9 million for the year ended 31 March 2021. Such increase was mainly due to (i) a decrease in number of projects undertaken and the lower value of contracts awarded to the Group for the construction business; and (ii) an increase the revenue from in trading business in Mainland China. In general, the Group recorded an increase in total revenue under the sluggish economy during the year ended 31 March 2022.

Government authorities in both Mainland China and Hong Kong have actively taken measures to prevent and control the COVID-19 pandemic, and the number of confirmed cases of COVID-19 in both places has stabilized, but the clusters of cases reported from time to time indicate that the COVID-19 pandemic is still very unstable. Looking ahead, the Group will closely monitor the market condition and continue to take appropriate measures to reduce the risks associated with the COVID-19 pandemic. In addition, the Group will also actively identify business opportunities in other sectors and formulate long-term business plans and strategies to capture the rebound opportunities in the market when the market condition gradually recovers.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK$84.7 million or approximately 38.2% from approximately HK$221.9 million for the year ended 31 March 2021 to approximately HK$306.6 million for the year ended 31 March 2022, which was mainly due to (i) a decrease in number of projects undertaken and the lower value of contracts awarded to the Group for the construction business; and (ii) an increase in the revenue from trading business in Mainland China. In general, the Group recorded an increase in total revenue under the sluggish economy during this year.

Direct Costs

Direct costs increased from approximately HK$208.0 million for the year ended 31 March 2021 to approximately HK$296.4 million for the year ended 31 March 2022, representing an increase of approximately HK$88.4 million or approximately 42.5%. Such increase was mainly due to (i) a decrease in revenue of construction business for the Group; and (ii) an increase of the revenue from trading business in Mainland China. In general, the Group recorded an increase in total direct cost during this year.

Gross Profit

Gross profit of the Group decreased by approximately 26.6% from approximately HK$13.9 million for the year ended 31 March 2021 to approximately HK$10.2 million for the year ended 31 March 2022. Such decrease was mainly due to (i) the decrease in revenue during the year from operations in Hong Kong; (ii) the decrease in gross profit margin as a result of the adoption of a more competitive pricing strategy in response to the intense market competition under the sluggish economy in Hong Kong; and (iii) an increase of the revenue from trading business in Mainland China. In general, the Group recorded a decrease in gross profit during this year.

Impairment losses under expected credit loss model, net of reversal

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 losses under expected credit loss model of approximately HK$8.8 million for the year ended 31 March 2022 as compared to a reversal of impairment losses of HK$2.0 million for the year ended 31 March 2021. Such impairment loss was mainly attributable to the recognition of bad debt on retention receivables and trade receivables during the year.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group increased by approximately 50.0% from approximately HK$15.0 million for the year ended 31 March 2021 to approximately HK$22.5 million for the year ended 31 March 2022. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees. The increase in administrative and other operating expenses was mainly due to the increase in the staff costs and legal and professional fees during the year.

Finance Costs

Finance costs of the Group decreased by approximately HK$0.6 million from approximately HK$1.0 million for the year ended 31 March 2021 to approximately HK$0.4 million for the year ended 31 March 2022. Finance costs for the years ended 31 March 2021 and 2022 mainly consisted of interest on bank borrowings and overdrafts. Such decrease was mainly due to a decrease in bank borrowings as a result of the repayment to the bank during the year.

Income Tax Credit (Expense)

Income tax expense for the Group decrease from approximately HK$0.8 million income tax expense for the year ended 31 March 2021 to approximately HK$0.7 million income tax credit for the year ended 31 March 2022, which was mainly due to (i) the increase in deferred tax credit provided; and (ii) the increase in PRC enterprise income tax during the year.

(Loss)/profit and Total Comprehensive (Expense)/Income for the year attributable to owners of the Company

As a result of foregoing, loss and total comprehensive expense for the year attributable to owners of the Company is at HK$21.0 million for the year ended 31 March 2022 (2021: profit of approximately HK$1.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2022, the Group had total assets of approximately HK$253.8 million (2021: approximately HK$149.4 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$108.4 million (2021: approximately HK$31.7 million) and approximately HK$145.3 million (2021: approximately HK$117.7 million), respectively.

The total interest-bearing borrowings and lease liabilities of the Group at 31 March 2022 were approximately HK$16.3 million (2021: approximately HK$25.1 million), and current ratio at 31 March 2022 was approximately 2.3 times (2021: 4.6 times).

The bank balances and cash of the Group at 31 March 2022 was approximately HK$139.5 million (2021: approximately HK$30.9 million).

Majority of the Group's borrowings and bank balances are denominated in HK$ and RMB. There was no significant exposure to foreign exchange rate fluctuations during the year.

GEARING RATIO

The gearing ratio of the Group at 31 March 2022 was approximately 11.2% (2021: approximately 21.3%). The decrease in gearing ratio was mainly due to a decrease in bank borrowings as a result of the repayment to the bank during the year.

The gearing ratio is calculated based on the total borrowings and lease liability divided by total equity 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 throughout the year. 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 31 March 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 (2021: approximately HK$6.0 million).

As at 31 March 2022, the Group pledged its life insurance policy of approximately HK$3.1 million to a bank to secure the banking facilities granted to the Group (2021: approximately HK$3.1 million).

As at 31 March 2022, the Group paid a cash collateral of approximately HK$3.7 million (2021: approximately HK$3.4 million) to the insurance companies for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

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

FOREIGN EXCHANGE EXPOSURE

The revenue-generating operations and borrowings of the Group are transacted in HK$ and RMB. For the year ended 31 March 2022, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign exchange risk. The management will consider suitable hedging instruments against significant currency exposure should the need arises.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange (the "**Listing**") on 12 January 2017 (the "**Listing Date**").

The Company 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 Company since the Listing Date and up to date of this announcement. The capital of the Company 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 rights issue (the "**Rights Issue**"). For details of the Rights Issue, please refer to the prospectus of the Company dated 23 August 2021 (the "**Rights Issue Prospectus**").

As at 31 March 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.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group have unpaid registered capital for the subsidiary of approximately HK$126,600,000. (2021: Nil).

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. At as the date of this announcement, Ample Construction has filed a defense 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 counter claim to Ample Construction for the amount of approximately HK$409,000. On 26 October 2021, Ample Construction has filed a reply and defense 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 is entitled to and hereby claims the sum of approximately HK$6,283,000 for the possession of the 6 post-dated cheques. On 17 December 2021, the Group has submitted the defense and counterclaim against PKNG for the sum of HK$6,000,000. The said proceedings are currently ongoing.

(iv) On 24 November 2021, Ready Electrical Metal Work Limited ("**REM**"), a sub-contractor of the Group, had commenced civil proceedings against Ample Construction in the District Court. According to the Statement of Claim, REM claims the sum of approximately HK$325,000 being the outstanding balance of two works contract. On 14 April 2022, the Group has submitted the defense and counterclaim against REM for the sum of HK$165,000 and REM has filed a reply and defence to counterclaim on 6 May 2022. The said proceedings are currently ongoing.

(v) On 14 April 2022, Ample Construction had 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 December 2016 (the "**Prospectus**") and the Rights Issue Prospectus and in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as of 31 March 2022.

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

During the year ended 31 March 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 of approximately HK$15,219,000 (2021: approximately HK$14,088,000) at 31 March 2022. 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 31 March 2022, the Group paid a cash collateral of approximately HK$3,740,000 (2021: approximately HK$3,421,000) to insurance companies for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

USE OF NET PROCEEDS FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

The net proceeds from the Listing (the "**Net Proceeds**") were approximately HK$51.2 million. As at 31 March 2022, approximately HK$5.0 million of the Net Proceeds remained unutilised. The Company has resolved to adjust the use of the Net Proceeds as follows:

- approximately HK$2.9 million will be used to participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in Hong Kong.

Reasons for the Proposed Change in Use of Net Proceeds

As set out in the Prospectus, a portion of the Net Proceeds of the Company has originally been allocated to participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business. Due to the rapid spread of COVID-19 over the past two years, the world economy has encountered unprecedented challenges and uncertainties. As the spread of COVID-19 has affected Hong Kong and other countries, it has been difficult for the Group to source exhibitions and competitions that aligns with the Group's requirements and to adhere to the travel restrictions of both Hong Kong and other countries. As a result, the Company has decided to participate further in large scale fitting-out, renovation and A&A projects and to enlarge the Group's market share in Hong Kong and has decided to reallocate approximately HK$2.9 million of the Net Proceeds to support this development.

In view of the above, the Company has decided to reallocate the unutilised Net Proceeds. The Directors are of the opinion that the change of use of the Net Proceeds is in the best interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK$51.2 million. Save as disclosed above, 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 31 March 2022 is set out below:

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

	Planned use of net proceeds as stated in the Prospectus up to 31 March 2022	Actual use of net proceeds up to 31 March 2022	Unutilised net proceeds up to 31 March 2022	Reallocation of the unutilised net proceeds	Adjusted amount of net proceed to be utilised up to 31 March 2022	Date by which net proceeds are expected to be fully utilised
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in Hong Kong	18,022	18,022	–	2,919	2,919	31 March 2023
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	8,704	5,285	3,419	(2,919)	500	31 March 2023
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	9,933	9,933	–	–	–	–
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	9,421	7,831	1,590	–	1,590	31 March 2023
General working capital	5,120	5,120	–	–	–	–
Total	51,200	46,191	5,009	–	5,009	

(ii) Net proceeds of Rights Issue

	Adjusted allocation of the Actual Net Proceeds *HK$'000*	Actual use of net proceeds up to 31 March 2022 *HK$'000*	Unutilised net proceeds up to 31 March 2022 *HK$'000*	Date by which net proceeds are expected to be fully utilised
To start up the new business of the new subsidiary in Mainland China	36,083	9,187	26,896	31 March 2023
General working capital of the Company	12,028	6,090	5,938	31 March 2023
Total	48,111	15,277	32,834	

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 "**Rights Issue Proceeds**"), which were higher than the estimated Rights Issue Proceeds of approximately HK$47.0 million as stated in Rights Issue Prospectus. As such, the Company has adjusted the use of Rights Issue 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. As at 31 March 2022, a part of the Rights Issue Proceeds has been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Rights Issue Prospectus.

As at 31 March 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 Prospectus and Rights Issue Prospectus, respectively. The net proceeds of the Listing and the Rights Issue with approximately HK$5.0 million and approximately HK$32.8 million respectively had not yet been utilised as at 31 March 2022 and was deposited into licensed banks in Hong Kong and Mainland China.

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

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2022, the Group employed a total of 100 employees (2021: 60 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$24.0 million for the year ended 31 March 2022 (2021: approximately HK$18.8 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.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

Civil proceedings commenced by Ready Electrical Metal Work Limited

On 24 November 2021, REM, a sub-contractor of the Group, had commenced civil proceedings against Ample Construction. On 14 April 2022, the Group has submitted the defense and counterclaim against REM for the sum of HK$165,000 and REM has filed a reply and defence to counterclaim on 6 May 2022. For details, please refer to the section headed "Litigation" in this announcement.

Civil proceedings commenced against Workshop Decoration Engineering Co., Ltd

On 14 April 2022, Ample Construction had commenced civil proceedings against Workshop Decoration Engineering Co., Ltd, a sub-contractor of the Group. For details, please refer to the section headed "Litigation" in this announcement.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income in this announcement. The state of affairs of the Group and the Company as at 31 March 2022 are set out in the consolidated statement of financial position in this announcement. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2022.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges 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. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Up to the date of this announcement, to the best knowledge of the Board, the Company has complied with the CG Code except for the deviation from provisions C.2.1 and F.2.2 of the CG Code which is explained below:

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 ("**Mr. Liu**") performs the roles of chairman and chief executive officer of the Company, 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 of the Company 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.

Code Provision F.2.2 of CG Code stipulates that the chairman of the board should attend the annual general meeting and should be available to answer questions at the annual general meeting. Mr. Liu, the chairman of the Board, could not attend the annual general meeting of the Company held on 5 August 2021 ("**2021 AGM**") as he had to deal with an urgent matter. Mr. Ye Zuobin, the executive Director was elected as the chairman of the 2021 AGM to ensure effective communication with shareholders of the Company at such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 shares during the year ended 31 March 2022.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprising three independent non-executive Directors was established on 23 December 2016. The chairman of the Audit Committee is Dr. Su Lixin, the independent non-executive Director, and other members included Mr. Liang Rongjin and Dr. Yan Bing, the independent non-executive Directors. 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 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 primary duties of the Audit Committee are mainly 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.

During the year, the Audit Committee held two meetings including to review and comment on the Company's 2021 annual results, 2021 interim results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2022 comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on this preliminary announcement.

APPRECIATION

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

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

Hong Kong, 28 June 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.