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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

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 2023, together with the comparative figures for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	3	**661,230**	306,558
Direct costs		**(639,114)**	(296,377)
Gross profit		**22,116**	10,181
Other income, other gains and losses, net		**1,529**	169
Fair value loss on biological asset		**(627)**	–
Impairment losses under expected credit loss model, net of reversal	4	**(6,161)**	(8,755)
Loss on written-off of trade receivables		–	(315)
Selling expenses		**(988)**	–
Administrative and other operating expenses		**(22,523)**	(22,537)
Finance costs	5	**(697)**	(419)
Loss before tax		**(7,351)**	(21,676)
Income tax (expense) credit	6	**(1,478)**	666
Loss for the year	7	**(8,829)**	(21,010)
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(1,272)**	518
Other comprehensive (expense) income for the year, net of income tax		**(1,272)**	518
Total comprehensive expense for the year		**(10,101)**	(20,492)
Loss per share	9		
– Basic *(HK cents)*		**(0.63)**	(1.68)
– Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**2,231**	2,539
Right-of-use assets		**1,767**	2,984
Investments in life insurance contracts		**3,384**	3,140
Deposits paid	*10*	**2,705**	–
Deferred tax assets		**4,905**	3,485
		14,992	12,148
CURRENT ASSETS			
Inventory		**516**	–
Biological assets		**3,258**	–
Trade and other receivables	*10*	**74,000**	57,956
Contract assets		**27,186**	43,106
Financial assets at fair value through profit or loss		**11**	12
Tax recoverable		**668**	994
Cash and cash equivalents		**153,344**	139,538
		258,983	241,606
CURRENT LIABILITIES			
Trade and other payables	*11*	**86,866**	89,736
Borrowings		**14,865**	13,371
Lease liabilities		**962**	1,277
Tax payable		**1,237**	2,357
		103,930	106,741
NET CURRENT ASSETS		**155,053**	134,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**170,045**	147,013
NON-CURRENT LIABILITY			
Lease liabilities		**727**	1,689
NET ASSETS		**169,318**	145,324
CAPITAL AND RESERVES			
Share capital		**14,940**	13,440
Reserves		**154,378**	131,884
TOTAL EQUITY		**169,318**	145,324

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Special reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 April 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 rights 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
Loss for the year	–	–	–	–	–	(8,829)	(8,829)
Other comprehensive expense for the year: *Item that may be subsequently reclassified to profit or loss:* Exchange differences arising on translation of foreign operation	–	–	–	–	(1,272)	–	(1,272)
Other comprehensive expense for the year, net of income tax	–	–	–	–	(1,272)	–	(1,272)
Total comprehensive expense for the year	–	–	–	–	(1,272)	(8,829)	(10,101)
Transfer to statutory reserve	–	–	1,610	–	–	(1,610)	–
Issue of shares upon subscription of shares	1,500	33,000	–	–	–	–	34,500
Transaction costs attributable to subscription of shares	–	(405)	–	–	–	–	(405)
At 31 March 2023	14,940	131,551	1,610	876	(754)	21,095	169,318

Notes:

1. GENERAL INFORMATION

Standard Development Group Limited (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 Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in construction and engineering related business, petroleum business and farming 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 became effective on 9 September 2021.

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

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 Group's annual periods beginning on 1 April 2022 for the preparation of the 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

Except as described in the consolidated financial statements, 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 the 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current liabilities with Covenants (2022)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Polices[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (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 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 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 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 Non-current Liabilities with Covenants (2022) ("the 2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current (the "**2020 Amendments**") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 March 2023, 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 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 disclosed 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 the Group's annual reporting periods beginning on 1 April 2023. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK$1,767,000 and HK$1,689,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated losses (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023 *HK$'000*	2022 *HK$'000*
Construction and engineering related business		
Construction and engineering related services	**148,355**	155,355
Interior design services	**393**	4,793
Sale of construction consumables	**5,123**	13,582
	153,871	173,730
Petroleum business		
Sales of petroleum	**503,207**	132,828
Farming business		
Sale of agricultural consumables	**1,101**	–
Total	**658,179**	306,558
Geographical markets:		
Hong Kong	**127,486**	152,366
Mainland China	**530,693**	154,192
Total	**658,179**	306,558
Timing of revenue recognition:		
A point in time	**509,431**	146,410
Over-time	**148,748**	160,148
Total	**658,179**	306,558

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

	2023	2022
	HK$'000	*HK$'000*
Construction and engineering related business		
Construction and engineering related services	**148,355**	155,355
Interior design services	**393**	4,793
Sale of construction consumables	**5,123**	13,582
	153,871	173,730
Petroleum business		
Sales of petroleum	**503,207**	132,828
Farming business		
Sale of agricultural consumables	**1,101**	–
Revenue from contracts with customers	**658,179**	306,558
Farmland leasing	**3,051**	–
Total	**661,230**	306,558

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

	2023	2022
	HK$'000	*HK$'000*
Impairment losses recognised (reversed) on:		
– trade receivables	**5,236**	7,331
– unbilled revenue	**(224)**	246
– retention receivables	**1,150**	1,160
– other receivables	**(1)**	18
	6,161	8,755

5. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interests on:		
– lease liabilities	**95**	73
– bank borrowings and overdrafts	**602**	346
	697	419

6. INCOME TAX EXPENSE (CREDIT)

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**–**	–
– PRC Enterprise Income Tax	**2,898**	2,222
	2,898	2,222
Deferred tax	**(1,420)**	(2,888)
	1,478	(666)

7. LOSS FOR THE YEAR

	2023	2022
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
– Audit service	**740**	720
– Non-audit service	**150**	300
Depreciation of plant and equipment	**934**	655
Depreciation of right-of-use assets	**1,408**	1,439
Total depreciation	**2,342**	2,094
Cost of inventories recognised as expense	**505,548**	156,485
Provision for litigation	**–**	734
Lease payments not included in the measurement of lease liabilities	**3,224**	1,594
Employee benefits expense:		
Salaries, bonus and other benefits in kind	**19,374**	23,194
Contributions to retirement benefit scheme	**983**	761
Total employee benefits expense, including directors' emoluments	**20,357**	23,955

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. LOSS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Loss for the year	**(8,829)**	(21,010)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,408,110**	1,247,603

No diluted loss per share for both years ended 31 March 2023 and 2022 were presented as there were no potential ordinary shares in issue for both years ended 31 March 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**63,137**	54,637
– operating lease receivables	**1,287**	–
Less: Allowance for credit losses	**(19,728)**	(14,492)
	44,696	40,145
Other receivables, prepayments and deposits	**32,572**	18,375
Less: Allowance for credit losses	**(563)**	(564)
Total other receivables, net	**32,009**	17,811
Deposits paid classified as non-current asset	**(2,705)**	–
Other receivables, net	**29,304**	17,811
Trade and other receivables, net	**74,000**	57,956

The Group generally allows a credit period from 0 to 120 days (2022: 0 to 90 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**10,882**	22,169
31 – 60 days	**118**	1,472
61 – 90 days	**3,940**	2,016
91 – 180 days	**3,233**	8,724
Over 180 days	**46,251**	20,256
	64,424	54,637

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**74,231**	82,337
Other payables and accruals	**7,506**	6,382
Amounts due to directors	**5,129**	1,017
	86,866	89,736

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

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**57,320**	74,222
31 – 60 days	**6,334**	7
61 – 90 days	**5,244**	–
91 – 180 days	**556**	7,652
Over 180 days	**4,777**	456
	74,231	82,337

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

For the year ended 31 March 2023, the Group recorded revenue of approximately HK$661.2 million as compared to revenue of HK$306.6 million for the year ended 31 March 2022. Such increase was mainly due to (i) an increase in the revenue in petroleum trading business in Mainland China; and (ii) starting new farming business in Mainland China, after offset by a decrease in revenue of the construction business caused by a decrease in number of projects undertaken.

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.

The Group proposed and the shareholders approved an investment in integrated development and utilisation of a rural biomass project at the extraordinary general meeting on 13 February 2023. The project is expected to effectively reduce carbon dioxide emissions, enhance local environmental protection, and generate clean energy, through the process of converting organic waste into green natural gas. During the process, the by-products can be used as organic fertiliser for the land to grow food crops and improve soil quality. The project is in line with the development concepts of innovation, coordination, green, openness, and sharing stipulated in China's 14th Five-Year Plan. The project was listed as a critical project in Shandong Province in 2022.

Looking ahead, despite the end of COVID-19, there are challenges around every corner in the business environment, including economic slowdown, weak consumption, and higher capital cost in Hong Kong because of the U.S. Fed Interest Rate increase. These factors will create economic pressure on the Group's business development. The Group will cautiously evaluate business opportunities, pay close attention to the changes in the market, formulate business plans and strategies for long-term business development, and actively explore business opportunities in favorable sectors to expand revenue streams in an effort to offset the adverse impact of the economic hard times.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK$354.7 million or approximately 115.7% from approximately HK$306.6 million for the year ended 31 March 2022 to approximately HK$661.2 million for the year ended 31 March 2023, which was mainly due to (i) an increase in the revenue in petroleum trading business in Mainland China; and (ii) starting new farming business in Mainland China, after offset by a decrease in revenue of the construction business caused by a decrease in number of projects undertaken. 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$296.4 million for the year ended 31 March 2022 to approximately HK$639.1 million for the year ended 31 March 2023, representing an increase of approximately HK$342.7 million or approximately 115.6%. Such increase was mainly due to an increase of the costs from petroleum trading business in Mainland China.

Gross Profit

Gross profit of the Group increased by approximately 117.2% from approximately HK$10.2 million for the year ended 31 March 2022 to approximately HK$22.1 million for the year ended 31 March 2023. Such increase was mainly due to an increase of the revenue from petroleum trading business in Mainland China. The gross profit margin has remained stable during the 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$6.2 million for the year ended 31 March 2023 as compared to impairment losses of HK$8.8 million for the year ended 31 March 2022. Such impairment loss was mainly attributable to the provision of expected credit loss on retention receivables and trade receivables during the year.

Selling Expenses

The Group's selling expenses primarily consist of (i) salaries and allowances for our sales personnel; (ii) entertainment expenses; and (iii) rental expenses and travelling expenses. The total selling expenses of the Group for the year ended 31 March 2023 were approximately HK$1.0 million (2022: Nil).

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group remained stable which were approximately HK$22.5 million for the year ended 31 March 2022 and 2023. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees.

Finance Costs

Finance costs of the Group increased by approximately HK$0.3 million from approximately HK$0.4 million for the year ended 31 March 2022 to HK$0.7 million for the year ended 31 March 2023. Finance costs for the years ended 31 March 2023 and 2022 mainly consisted of interest on right-of-use assets, bank borrowings and overdrafts. Such increase was mainly due to an increase in bank borrowings and right-of-use assets during the year.

Income Tax Credit (Expense)

The Group recorded income tax credit of approximately HK$1.5 million for the year ended 31 March 2023 as compared to an income tax expense of approximately HK$0.7 million for the year ended 31 March 2022, which was mainly due to (i) the increase in deferred tax assets provided; and (ii) the increase in PRC enterprise income tax during the year.

Loss for the year

As a result of the foregoing, loss for the year is approximately HK$8.8 million for the year ended 31 March 2023 (2022: loss of approximately HK$21.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group had total assets of approximately HK$274.0 million (2022: approximately HK$253.8 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$104.7 million (2022: approximately HK$108.4 million) and approximately HK$169.3 million (2022: approximately HK$145.3 million), respectively.

The total interest-bearing borrowings and lease liability of the Group as at 31 March 2023 were approximately HK$16.6 million (2022: approximately HK$16.3 million), and current ratio as at 31 March 2023 was approximately 2.5 times (2022: 2.3 times).

The bank balances and cash of the Group as at 31 March 2023 was approximately HK$153.3 million (2022: approximately HK$139.5 million).

GEARING RATIO

The gearing ratio of the Group as at 31 March 2023 was approximately 9.8% (2022: approximately 11.2%). The decrease in gearing ratio was mainly due to an increase in total equity as a result of subscription of new shares 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 2023, the Group pledged bank deposits amounted to approximately HK$6.0 million to a bank as collateral to secure banking facilities granted to the Group (2022: approximately HK$6.0 million).

As at 31 March 2023, the Group pledged its life insurance policies of approximately HK$3.4 million to a bank to secure the banking facilities granted to the Group (2022: approximately HK$3.1 million).

As at 31 March 2023, the Group paid a cash collateral of approximately HK$7.4 million (2022: approximately HK$3.7 million) to insurance companies for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

FOREIGN EXCHANGE EXPOSURE

The revenue-generating operations and borrowings of the Group are transacted in Hong Kong dollars and RMB. For the year ended 31 March 2023, 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 Company successfully transferred the listing of its shares from GEM to the Main Board of the Stock Exchange on 9 May 2019. The capital of the Company only comprises of ordinary shares.

On 23 August 2022, the Company entered into the subscription agreement with Fujincheng Investment Holdings Co., Ltd. ("**Fujincheng**"), a controlling shareholder of the Company, pursuant to which the Company conditionally agreed to, under the specific mandate to be granted by the independent shareholders, allot and issue, and Fujincheng conditionally agreed to subscribe for, an aggregate of 150,000,000 ordinary shares ("**Subscription Share(s)**") at the subscription price of HK$0.23 per Subscription Share (or in aggregate HK$34,500,000). The aggregate nominal value of the Subscription Shares was HK$1,500,000. The issue of Subscription Shares is to raise new capital to expand the business of trading petroleum products which has been commenced by the Group in the later part of the year ended 31 March 2022.

The subscription agreement, including the allotment and issue of Subscription Shares, and the grant of the specific mandate were approved by independent shareholders at the extraordinary general meeting held on 21 October 2022. The completion of the subscription agreement took place on 27 October 2022. The gross proceeds and net proceeds (after deducting all related expenses) from the subscription amounted to HK$34.5 million and approximately HK$34.1 million, respectively. On such basis, the net price per Subscription Share was approximately HK$0.227.

For details, please refer to the Company's announcements dated 23 August 2022, 16 September 2022, 30 September 2022, 21 October 2022 and 27 October 2022 and the circular dated 3 October 2022 ("**Circular**").

As at 31 March 2023, the Company's issued share capital was HK$14.94 million and the number of its issued ordinary shares was 1,494,000,000 of HK$0.01 each.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group have total capital commitment approximately HK$128,919,000 (2022: HK$126,600,000).

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. The said proceedings are currently ongoing.

(ii) On 21 April 2021, Ample Construction had commenced civil proceedings in the District Court of the Hong Kong Special Administrative Region (the "**District Court**") against Lai Si Construction (Hong Kong) Company Limited ("**Lai Si**"), a customer of the Group. Lai Si owed Ample Construction an aggregated amount of approximately HK$1,870,000 in respect of two fitting-out and alteration contracts. On 26 August 2021, Lai Si has filed a reply and counterclaim to Ample Construction for the amount of approximately HK$409,000. On 26 October 2021, Ample Construction has filed a reply and defence to counterclaim by Lai Si. The said proceedings are currently ongoing.

(iii) On 20 September 2021, PKNG Development and Project Management Limited ("**PKNG**"), a customer of the Group, 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 defects and non-performance of the works under the works contract. Workshop did not file any Acknowledgement of Service for the Writ of Summons. The Group hence applied for Default Judgment and it was so granted. Interlocutory Judgment was obtained. The said proceeding is now ongoing pending the application for assessment of damages.

(v) On 11 August 2022, 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as of 31 March 2023.

DISCLOSEABLE AND CONNECTED TRANSACTION

On 20 December 2022, Standard Development (Shandong) Limited*（標準發展（山東）有限公司）("**Standard Development (Shandong)**"), an indirect wholly-owned subsidiary of the Company, has entered into an investment agreement (the "**Investment Agreement**") with Dongying Haibao Salt Industry Co., Ltd.*（東營海寶鹽業有限公司）("**Dongying Haibao**"), Shandong Province Finance Investment Group Co., Ltd.*（山東省財金投資集團有限公司）("**Shandong Finance Energy**") and Standard Bio (Juancheng) Co., Ltd.（標發生態（鄄城）有限公司）(the "**Target Company**"). Pursuant to the Investment Agreement, Standard Development (Shandong), Shandong Finance Energy and Dongying Haibao agreed to contribute a total amount of RMB20.0 million, RMB19.2 million and RMB800,000 into the Target Company in cash as registered capital of the Target Company, respectively.

Shandong Fujincheng Investment Co., Ltd.*（山東富金成投資有限公司）(“**Shandong Fujincheng**”), and Shandong Province Finance Industry Investment Co., Ltd.*（山東省財金產業投資有限公司）(“**Shandong Investment**”), holds 50% of the equity interest in Shandong Finance Energy. Shandong Province Finance Investment Group Co., Ltd.*（山東省財金投資集團有限公司）controls 75% of the equity interest in Shandong Investment and 25% of the equity interest in Shandong Investment is beneficially held by Shandong Fujincheng, which is wholly owned by Mr. Liu Zhancheng (“**Mr. Liu**”), an executive Director. As such, Shandong Finance Energy is an associate of Mr. Liu and a connected person of the Company.

As one or more of the applicable percentage ratios in respect of the transactions under the Investment Agreement exceed 5% but all are lower than 25%, the Investment Agreement and the transaction contemplated thereunder constitute a discloseable and connected transaction of the Company under the Listing Rules, and thus is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A the Listing Rules.

The Investment Agreement and the transaction contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting held on 13 February 2023.

For details, please refer to the Company's announcements dated 20 December 2022 and 13 February 2023 and circular dated 19 January 2023.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

During the year ended 31 March 2023, except for the Investment Agreement, 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$20,325,000 (2022: approximately HK$15,219,000) at 31 March 2023. 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 2023, the Group paid a cash collateral of approximately HK$7,366,000 (2022: approximately HK$3,741,000) to insurance companies for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

USE OF PROCEEDS

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

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 of the Company dated 30 December 2016 (the "**Prospectus**").

An analysis of the utilisation of the net proceeds for the year ended 31 March 2023 is set out below:

	Planned use of Net Proceeds as stated in the Prospectus up to 31 March 2023 (after reallocation on 28 June 2022) *HK$'000*	Unutilised Net Proceeds as at 1 April 2022 *HK$'000*	Actual use of Net Proceeds during the year ended 31 March 2023 *HK$'000*	Unutilised Net Proceeds as at 31 March 2023 *HK$'000*	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	2,919	2,919	–	–
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	5,785	500	500	–	–
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	9,933	–	–	–	–
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	9,421	1,590	1,590	–	–
General working capital	5,120	–	–	–	–
Total	51,200	5,009	5,009	–	

(ii) Net proceeds of Rights Issue

The actual net proceeds from the rights issue of the Company completed on 14 September 2021 (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 the prospectus of the Company dated 23 August 2021 for the Rights Issue (the "**Right 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 2023, 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.

An analysis of the utilisation of the Rights Issue Proceeds for the year ended 31 March 2023 is set out below:

	Adjusted allocation of the Actual Net Proceeds	Unutilised Net Proceeds as at 1 April 2022	Actual use of net proceeds during the year ended 31 March 2023	Unutilised net proceeds as at 31 March 2023	Date by which net proceeds are expected to be fully utilised
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
To start up the new business of the new subsidiary in Mainland China	36,083	26,896	26,896	–	–
General working capital of the Company	12,028	5,938	5,938	–	–
Total	48,111	32,834	32,834	–	

(iii) Net proceeds from allotment and issue of shares under specific mandate on 27 October 2022

On 23 August 2022, the Company entered into the subscription agreement with Fujincheng, a controlling shareholder of the Company, pursuant to which the Company conditionally agreed to, under the specific mandate to be granted by the independent shareholders, allot and issue, and Fujincheng conditionally agreed to subscribe for, an aggregate of 150,000,000 Subscription Shares at the subscription price of HK$0.23 per Subscription Share (or in aggregate HK$34,500,000). The aggregate nominal value of the Subscription Shares was HK$1,500,000.

The issue of Subscription Shares is to raise new capital to expand the business of trading petroleum products which has been commenced by the Group in the later part of the year ended 31 March 2022. The subscription agreement, including the allotment and issue of Subscription Shares, and the grant of the specific mandate were approved by independent shareholders at the extraordinary general meeting held on 21 October 2022.

The completion of the subscription agreement took place on 27 October 2022. The gross proceeds and net proceeds (after deducting all related expenses) from the subscription amounted to HK$34.5 million and approximately HK$34.1 million (the "**Subscription Proceeds**"), respectively. On such basis, the net price per Subscription Share was approximately HK$0.227.

An analysis of the utilisation of the Subscription Proceeds for the year ended 31 March 2023 is set out below:

	Planned use of net proceeds as stated in the Circular	**Actual use of net proceeds during the year ended 31 March 2023**	**Unutilised net proceeds as at 31 March 2023**	**Date by which net proceeds are expected to be fully utilised**
	HK$'000	*HK$'000*	*HK$'000*	
Trading of petroleum products	30,700	30,700	–	–
General working capital	3,400	3,400	–	–
Total	34,100	34,100	–	

As at 31 March 2023, the actual use of proceeds had been applied in the same manner as specified in the sections headed "Business Objective and Use of Proceeds", "Reasons for the Rights Issue and the Use of Proceeds" and "Use of Proceeds" of the Prospectus, Rights Issue Prospectus and the Circular, respectively. The net proceeds of Listing, the Rights Issue and the Subscription Proceeds had been fully utilised as at 31 March 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 50 employees (2022: 100 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$20.4 million for the year ended 31 March 2023 (2022: approximately HK$24.0 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 2023 (2022: Nil).

The Board is not aware of any arrangement pursuant to which a shareholder has waived or agreed to waive any dividends.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date of this announcement.

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 enhancing 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 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 the code provision C.2.1 and the code provision F.2.2 of the CG Code as 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 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.

Code provision F.2.2 of the CG Code provides that the chairman of the board of directors of a listed issuer should attend the annual general meeting. Mr. Liu, the chairman of the Board, was unable to attend the annual general meeting held on 8 September 2022 ("**2022 Annual General Meeting**") due to other engagement. Mr. Ye Zuobin, the executive Director (resigned on 2 December 2022), was appointed to chair the 2022 Annual General Meeting.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules 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 2023.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive Directors was established on 23 December 2016. The chairman of the Audit Committee is Dr. Su Lixin and other members include Mr. Liang Rongjin and Dr. Yan Bing, all of whom are 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 2022 annual results, 2022 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 2023 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 2023 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 2023 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 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, 21 June 2023

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

* *For identification purpose only*