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 2024

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 2024, together with the comparative figures for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	3	**489,794**	661,230
Direct costs		**(485,978)**	(639,114)
Gross profit		**3,816**	22,116
Other income, other gains and losses, net		**(1,989)**	1,529
Fair value loss on biological asset		**(566)**	(627)
Impairment losses reversed (recognised) under expected credit loss model, net	4	**5,143**	(6,161)
Selling expenses		**(2,888)**	(988)
Administrative and other operating expenses		**(22,526)**	(22,523)
Finance costs	5	**(1,343)**	(697)
Loss before tax		**(20,353)**	(7,351)
Income tax credit (expense)	6	**220**	(1,478)
Loss for the year	7	**(20,133)**	(8,829)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,235)**	(1,272)
Other comprehensive expense for the year, net of income tax		**(4,235)**	(1,272)
Total comprehensive expense for the year		**(24,368)**	(10,101)
Loss for the year attributable to:			
Owners of the Company		**(19,940)**	(8,829)
Non-controlling interests		**(193)**	–
		(20,133)	(8,829)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(24,088)**	(10,101)
Non-controlling interests		**(280)**	–
		(24,368)	(10,101)
Loss per share	9		
– Basic *(HK cents)*		**(1.33)**	(0.63)
– Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	Notes	2024 *HK$'000*	2023 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**81,514**	2,231
Right-of-use assets		**38,828**	1,767
Investments in life insurance contracts		**3,407**	3,384
Prepayments and deposits paid	*10*	**17,590**	2,705
Deferred tax assets		**4,634**	4,905
		145,973	14,992
CURRENT ASSETS			
Inventories		**53**	516
Biological assets		**1,127**	3,258
Trade and other receivables	*10*	**65,574**	74,000
Contract assets		**54,431**	27,186
Financial assets at fair value through profit or loss		**10**	11
Tax recoverable		**621**	668
Cash and cash equivalents		**23,921**	153,344
		145,737	258,983
CURRENT LIABILITIES			
Trade and other payables	*11*	**48,230**	86,866
Contract liabilities		**8,359**	–
Borrowings		**60,078**	14,865
Lease liabilities		**7,605**	962
Tax payable		**6**	1,237
		124,278	103,930
NET CURRENT ASSETS		**21,459**	155,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**167,432**	170,045
NON-CURRENT LIABILITIES			
Lease liabilities		**6,621**	727
Borrowings		**1,000**	–
Other payables	*11*	**28**	–
Deferred income		**5,393**	–
		13,042	727
NET ASSETS		**154,390**	169,318
CAPITAL AND RESERVES			
Share capital		**14,940**	14,940
Reserves		**129,875**	154,378
Equity attributable to owners of the Company		**144,815**	169,318
Non-controlling interests		**9,575**	–
TOTAL EQUITY		**154,390**	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**") is principally engaged in construction and engineering related business, petroleum business, farming business and bio-energy business.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICITES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year has had no material impact on the Group's consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. 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.

The application of the amendments in the current year has had no material impact on the Group's consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The application of the amendments in the current year has had no material impact on the Group's consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3.2 to the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("*MPF*") – Long Service Payment ("*LSP*") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the Hong Kong Special Administrative Region ("**HKSAR**") HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability, which should result in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group's profit or loss for the year ended 31 March 2023 and the Group's and the Company's financial position as at 31 March 2023. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively. Alternatively, the catch-up profit or loss adjustment of HK$73,000 was recognised in the current accounting period with the corresponding adjustment to the LSP liability.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 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:

- 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.

- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an 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.

In addition, the 2022 Amendments 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 an entity classifies 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 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 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 2024, the application of the 2020 Amendments and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 21 Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not and how an entity estimates the spot exchange rate when a currency is not exchangeable. In addition, the amendments require disclosure of information that enables users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2024	2023
	HK$'000	*HK$'000*
Construction and engineering related business		
Construction and engineering related services	**201,101**	148,355
Interior design services	**425**	393
Sale of construction consumables	**885**	5,123
	202,411	153,871
Petroleum business		
Sales of petroleum	**222,971**	503,207
Farming business		
Sale of grain oil	**53,052**	–
Sale of agricultural consumables	**574**	1,101
Sale of agricultural products	**5,389**	–
	59,015	1,101
Total	**484,397**	658,179
Geographical markets:		
Hong Kong	**201,526**	127,486
Mainland China	**282,871**	530,693
Total	**484,397**	658,179
Timing of revenue recognition:		
A point in time	**282,871**	509,431
Over-time	**201,526**	148,748
Total	**484,397**	658,179

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

	2024	2023
	HK$'000	*HK$'000*
Construction and engineering related business		
Construction and engineering related services	**201,101**	148,355
Interior design services	**425**	393
Sale of construction consumables	**885**	5,123
	202,411	153,871
Petroleum business		
Sales of petroleum	**222,971**	503,207
Farming business		
Sale of grain oil	**53,052**	–
Sale of agricultural consumables	**574**	1,101
Sale of agricultural products	**5,389**	–
	59,015	1,101
Revenue from contracts with customers	**484,397**	658,179
Farmland leasing	**5,397**	3,051
Total	**489,794**	661,230

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

	2024	2023
	HK$'000	*HK$'000*
Impairment losses (reversed) recognised on:		
– trade receivables	**(5,065)**	5,236
– unbilled revenue	**90**	(224)
– retention receivables	**(264)**	1,150
– other receivables	**96**	(1)
	(5,143)	6,161

5. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interests on:		
– bank borrowings and overdrafts	**547**	602
– other borrowings	**2,029**	–
Total borrowings costs	**2,576**	602
Interest on lease liabilities	**181**	95
Interest on LSP	**3**	–
Less: amounts capitalised in the cost of qualifying assets	**(1,417)**	–
	1,343	697

6. INCOME TAX (CREDIT) EXPENSE

	2024	2023
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**–**	–
– PRC Enterprise Income Tax	**8**	2,898
– PRC withholding tax on distributed profits	**109**	–
	117	2,898
Over provision in prior years:		
– PRC Enterprise Income Tax	**(608)**	–
	(491)	2,898
Deferred tax	**271**	(1,420)
	(220)	1,478

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for both years.

7. LOSS FOR THE YEAR

	2024	2023
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
– Audit service	**720**	740
– Non-audit service	**150**	150
Depreciation of property, plant and equipment	**849**	934
Depreciation of right-of-use assets	**1,396**	1,408
	2,245	2,342
Less: amounts capitalised in cost of qualifying assets	**(209)**	–
Total depreciation included in loss for the year	**2,036**	2,342
Cost of inventories recognised as expense	**282,746**	505,548
Lease payments not included in the measurement of lease liabilities	**4,806**	3,224
Employee benefits expense:		
Salaries, bonus and other benefits in kind	**20,371**	19,374
Contributions to retirement benefit scheme	**1,195**	983
Service cost of long service payments	**84**	–
	21,650	20,357
Less: amounts capitalised in cost of biological assets	**(328)**	–
Total employee benefits expense, including directors' emoluments included in loss for the year	**21,322**	20,357

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: 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:

	2024	2023
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(19,940)**	(8,829)

	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,494,000**	1,408,110

No diluted loss per share for both years ended 31 March 2024 and 2023 were presented as there were no potential ordinary shares in issue for both years ended 31 March 2024 and 2023.

10. TRADE AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**28,313**	63,137
– operating lease receivables	**226**	1,287
Less: Allowance for credit losses	**(14,644)**	(19,728)
	13,895	44,696
Other receivables, prepayments and deposits	**69,928**	32,572
Less: Allowance for credit losses	**(659)**	(563)
Total other receivables, net	**69,269**	32,009
Prepayments and deposits paid classified as non-current asset	**(17,590)**	(2,705)
Other receivables, net	**51,679**	29,304
Trade and other receivables, net	**65,574**	74,000

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

	2024	2023
	HK$'000	*HK$'000*
0 – 30 days	**4,036**	10,882
31 – 60 days	**712**	118
61 – 90 days	**119**	3,940
91 – 180 days	**440**	3,233
Over 180 days	**23,232**	46,251
	28,539	64,424

11. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**14,970**	74,231
Other payables and accruals	**24,336**	7,506
Amounts due to directors	**8,952**	5,129
	48,258	86,866
Other payables classified as non-current liabilities	**(28)**	–
	48,230	86,866

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

	2024	2023
	HK$'000	*HK$'000*
0 – 30 days	**706**	57,320
31 – 60 days	**203**	6,334
61 – 90 days	**–**	5,244
91 – 180 days	**–**	556
Over 180 days	**14,061**	4,777
	14,970	74,231

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in construction and engineering related businesses, petroleum business, farming business and bio-energy business in Mainland China and Hong Kong.

For the year ended 31 March 2024, the Group recorded revenue of approximately HK$489.8 million as compared to revenue of HK$661.2 million for the year ended 31 March 2023. Such decrease was mainly due to (i) a decrease in the revenue in petroleum trading business in Mainland China; after offset by (ii) an increase in revenue of farming business in Mainland China, and an increase in revenue of the construction business caused by an increase 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, creating economic and social benefits. Considering the tremendous market opportunities brought by the rural revitalisation, the Company has been actively exploring the technologies and market development 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 held on 13 February 2023, signifying the Group's involvement in and development of its bio-energy business. The project (which had subsequently been carried out by a subsidiary of the Company) 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. In furtherance of the Group's strategy to develop and expand its bio-energy business, the Group had during the year carried out land acquisition and construction of production, filtration, purification and treatment facilities, which are expected to be used for the treatment of organic wastages for energy transformation.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

(i) The Group's contracts are not recurring in nature and its future business performance depends on its continuing success on project tendering.

(ii) The Group is exposed to disputes, claims or litigation that may affect its operations and financial positions.

(iii) The Group's profit may be substantially reduced if there are adverse changes in its subcontracting and materials cost after the process of tendering.

(iv) The Group belongs to an industry that requires stable supply of labour in order to carry out its projects.

(v) The industry in which the Group operates is closely linked to the macro economy and energy prices. The conflicts between Russia and Ukraine have caused fluctuations of global prices of energy. Petroleum prices will continue to fluctuate under geopolitical pressure. Macro economy changes will affect the supply and downstream demand for petroleum, which might adversely affect the Group's performance.

(vi) The Group is exposed to extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions.

(vii) The Group may be affected by cyclical fluctuations in the selling prices of agricultural consumables and planting, which affect the revenue, and by fluctuations in the purchase prices of ingredients, which affect the costs.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in all material respects with relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2024, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers mainly include main contractors and trading business companies. The main contractors are who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and landlords or occasionally property developers (or its consultants). During the year, the Group served customers from the private and public sectors in Hong Kong and Mainland China, and the Directors consider that the Group is not reliant on any single customer. The Group has established close business relationships with most of the top customers ranging from one year to over ten years which the Directors believe it has an implication that the Group is one of the selected suppliers on such customers' approved lists of suppliers and the Group has been invited to tender or quote from time to time.

Suppliers and Subcontractors

During the year, suppliers of goods and services to the Group were required on a regular basis to enable the Group to continue to carry on its business including (i) subcontractors engaged by the Group to perform the site works; (ii) petroleum and grain oil trading companies for trading business; and (iii) suppliers of other miscellaneous goods and services required for the Group's business operations.

The Group has maintained an internal list of approved suppliers and subcontractors for each category of fitting-out and renovation and A&A works. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant skills and experience, subject to their availability and fee quotations.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on certain suppliers and subcontractors. The Group did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the year. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the year.

Employees

The Group recognises employees as valuable assets of the Group. During the year, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group uses its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise high performing employees by providing attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

The Directors consider that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the year. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the year.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$171.4 million or approximately 25.9% from approximately HK$661.2 million for the year ended 31 March 2023 to approximately HK$489.8 million for the year ended 31 March 2024, which was mainly due to (i) a decrease in the revenue in petroleum trading business in Mainland China; after offset by (ii) an increase in farming business in Mainland China, and an increase in revenue of the construction business caused by an increase in number of projects undertaken. In general, the Group recorded a decrease in total revenue during this year.

Direct Costs

Direct costs decreased from approximately HK$639.1 million for the year ended 31 March 2023 to approximately HK$486.0 million for the year ended 31 March 2024, representing a decrease of approximately HK$153.1 million or approximately 24.0%. Such decrease was mainly due to a decrease of the costs from petroleum trading business in Mainland China.

Gross Profit

Gross profit of the Group decreased by approximately 82.7% from approximately HK$22.1 million for the year ended 31 March 2023 to approximately HK$3.8 million for the year ended 31 March 2024. Such decrease was mainly due to a decrease of the revenue from petroleum trading business in Mainland China. The gross profit margin has decreased 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 credit under expected credit loss model of approximately HK$5.1 million for the year ended 31 March 2024 as compared to impairment losses of HK$6.2 million for the year ended 31 March 2023. Such impairment credit was mainly attributable to the settlement of credit-impaired trade receivables during the year.

Selling Expenses

Selling expenses of the Group increased by approximately HK$1.9 million from approximately HK$1.0 million for the year ended 31 March 2023 to approximately HK$2.9 million for the year ended 31 March 2024. The Group's selling expenses increase was due to the increase in staff cost as number of sales staffs increased for sales of grain oil.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group remained stable which were approximately HK$22.5 million for the years ended 31 March 2024 and 2023. Administrative and other operating expenses primarily consist of depreciation, staff costs and professional fees.

Finance Costs

Finance costs of the Group increased by approximately HK$0.7 million from approximately HK$0.6 million for the year ended 31 March 2023 to HK$1.3 million for the year ended 31 March 2024. Finance costs for the years ended 31 March 2024 and 2023 mainly consisted of interest on lease liabilities, loans which include bank and other borrowings. Such increase was mainly due to an increase in loans during the year.

Income Tax Credit (Expense)

The Group recorded income tax credit of approximately HK$0.2 million for the year ended 31 March 2024 as compared to an income tax expense of approximately HK$1.5 million for the year ended 31 March 2023, which was mainly due to the decrease 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$20.1 million for the year ended 31 March 2024 (2023: loss of approximately HK$8.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2024, the Group had total assets of approximately HK$291.7 million (2023: approximately HK$274.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$137.3 million (2023: approximately HK$104.7 million) and approximately HK$154.4 million (2023: approximately HK$169.3 million), respectively.

The total interest-bearing borrowings and lease liability of the Group as at 31 March 2024 were approximately HK$75.3 million (2023: approximately HK$16.6 million), and current ratio as at 31 March 2024 was approximately 1.2 times (2023: 2.5 times).

The bank balances and cash of the Group as at 31 March 2024 was approximately HK$23.9 million (2023: approximately HK$153.3 million).

GEARING RATIO

The gearing ratio of the Group as at 31 March 2024 was approximately 48.8% (2023: approximately 9.8%). The increase in gearing ratio was mainly due to an increase in total borrowings 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 2024, the Group pledged bank deposits amounted to approximately HK$6.0 million to a bank as collateral to secure banking facilities granted to the Group (2023: approximately HK$6.0 million).

As at 31 March 2024, 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 (2023: approximately HK$3.4 million).

As at 31 March 2024, the Group paid a cash collateral of approximately HK$9.2 million (2023: approximately HK$7.4 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 2024, 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.

As at 31 March 2024, 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 2024, the Group have total capital commitment approximately HK$185,554,000 (2023: HK$128,919,000).

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. Ample Construction has filed a defence dated 30 June 2021 into court. As at 31 March 2024, Ample Construction had not received any judgement in relation to the said proceedings. 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 2024, a provision of HK$267,000 is accrued. The said proceedings are currently ongoing.

(ii) On 21 April 2021, Ample Construction had commenced civil proceedings in the District Court of the Hong Kong Special Administrative Region (the "**District Court**") against Lai Si Construction (Hong Kong) Company Limited ("**Lai Si**"), a customer of the Group. Lai Si owed Ample Construction an aggregated amount of approximately HK$1,870,000 in respect of two fitting-out and alteration contracts. On 26 August 2021, Lai Si has filed a reply and counterclaim to Ample Construction for the amount of approximately HK$409,000. On 26 October 2021, Ample Construction has filed a reply and defence to counterclaim by Lai Si. As at 31 March 2024, Ample Construction had not received any judgement in relation to the said proceedings. The Directors expected that it is highly probable that Ample Construction will be responsible for the claimed sum. As such, as at 31 March 2024, a provision of HK$409,000 is accrued. The said proceedings are currently ongoing.

(iii) On 20 September 2021, PKNG Development and Project Management Limited ("**PKNG**"), a customer of the Group, 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. As at 31 March 2024, Ample Construction had not received any judgement in relation to the said proceedings. The Directors expected that it is unlikely that Ample construction will be responsible for the claimed sum and thus no provision had been provided.

(iv) On 14 April 2022, Ample Construction commenced civil proceedings against Workshop Decoration Engineering Co., Ltd ("**Workshop**"), a sub-contractor of the Group, in the District Court. Ample Construction has made a claim against Workshop for the sum of approximately HK$1,552,000 for 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other future plans for material investments or acquisition of capital assets as of 31 March 2024.

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

On 6 December 2023 (after trading hours), 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 a capital injection agreement with Standard Bio (Juye) Co., Ltd.*（標發生態（巨野）有限公司）(“**Standard Bio (Juye)**”) and Shandong Province Financial Energy Co., Ltd.*（山東省財金能源有限公司）, pursuant to which Standard Development (Shandong) agreed to contribute a total amount of RMB30 million in cash as registered capital of Standard Bio (Juye). Immediately upon completion, Standard Development (Shandong)’s shareholding in Standard Bio (Juye) increased from 60% to 90%. As at 31 March 2024, Standard Bio (Juye) is a wholly-owned subsidiary of the Company.

On 24 January 2024, due to the exit of one of the shareholders of Standard Bio (Juancheng) Co., Ltd.*（標發生態（鄄城）有限公司）(“**Standard Bio (Juancheng)**”), who has yet injected any capital into Standard Bio (Juancheng), the Group’s shareholding in Standard Bio (Juancheng) increased to 66.7%.

During the year ended 31 March 2024, save as disclosed above, 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$26,362,000 (2023: approximately HK$20,325,000) at 31 March 2024. 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 2024, the Group paid a cash collateral of approximately HK$9,216,000 (2023: approximately HK$7,366,000) to insurance companies for the issuance of surety bonds which are included in other receivables, prepayments and deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 77 employees (2023: 50 employees). The staff costs, including Directors’ emoluments, of the Group were approximately HK$21.6 million for the year ended 31 March 2024 (2023: approximately HK$20.4 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 incentives 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 2024 (2023: 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

On 21 May 2024, Standard Bio (Juancheng), as borrower, and Industrial Bank Co., Ltd., Heze Branch, as lender, entered into a loan agreement in respect of a loan in the principal amount of RMB50 million. As a condition precedent to the granting of the loan, the Company and a director of the Company has provided a guarantee for the repayment obligation of the loan under the loan agreement and pledge certain assets of Standard Bio (Juancheng).

Except for the above, the Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 March 2024 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 C1 to the Listing Rules. Up to the date of this announcement, to the best knowledge of the Board, the Company has complied with all the code provisions in the CG Code except for the deviation from the code provision C.2.1, F.2.2, C.5.1 and C.1.8 of the CG Code as explained below:

Code provision C.2.1 of the 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, 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 16 August 2023 ("**2023 Annual General Meeting**") due to other engagement. Mr. Xu Jing, an executive Director, acted as chairman of the 2023 Annual General Meeting.

Code provision C.5.1 of the CG Code provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. For the year ended 31 March 2024, two regular meetings of the Board Meeting were held, instead of four as required by code provision C.5.1 of the CG Code. The Board considers that the two regular meetings were sufficient to deal with matters of the Company. In addition, apart from the Board Meetings, consent of Directors on issues was also sought through circulating written resolutions.

Code provision C.1.8 of the CG Code provides that an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. During the year ended 31 March 2024, the Company did not arrange any insurance for the Directors. Each Directors possesses the requisite qualification and experience to fulfill his/her duty for the Company. The Company estimates that the risk of any event for which any Directors shall take responsibility in the reasonably foreseeable future is remote. Therefore, the Company has not arranged appropriate insurance cover for the Directors.

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 C3 to 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 listed securities during the year ended 31 March 2024.

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, amongst others, review and comment on the Company's 2023 annual results, 2023 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 2024 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 2024 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 and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Group's auditor, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by Asian Alliance (HK) CPA Limited on this 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, 26 June 2024

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*