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 REPORT
2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Zhancheng
(Chairman and Chief Executive Officer)
Ms. Qin Mingyue
Mr. Xu Jing *(appointed on 19 December 2022)*
Mr. Ye Zuobin *(resigned on 2 December 2022)*

Independent non-executive Directors

Dr. Su Lixin
Mr. Liang Rongjin
Dr. Yan Bing

BOARD COMMITTEES

Audit Committee

Dr. Su Lixin *(Chairman)*
Mr. Liang Rongjin
Dr. Yan Bing

Remuneration Committee

Mr. Liang Rongjin *(Chairman)*
Mr. Liu Zhancheng
Dr. Su Lixin

Nomination Committee

Mr. Liu Zhancheng *(Chairman)*
Dr. Su Lixin
Mr. Liang Rongjin

COMPANY SECRETARY

Mr. Chu Pui Ki Dickson
(appointed on 30 September 2022)
Ms. Yim Sau Ping *(resigned on 30 September 2022)*

AUTHORISED REPRESENTATIVES

Mr. Liu Zhancheng
Mr. Xu Jing *(appointed on 19 December 2022)*
Mr. Ye Zuobin *(resigned on 2 December 2022)*

AUDITOR

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
8/F, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Jeffrey Mak Law Firm
6th Floor, O.T.B. Building,
259 Des Voeux Road Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1409-10, 14/F, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
China Everbright Bank Company Limited

STOCK CODE

1867

COMPANY'S WEBSITE

www.bzg.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Standard Development Group Limited (the "**Company**"), I would like to present the annual report of the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2023 (the "**year**" or "**FY2023**") to all shareholders of the Company.

Since 2020, the world economy has stumbled with the Coronavirus Disease 2019 (COVID-19) pandemic. At the beginning of the New Year in 2022, the pandemic took a sharp turn for the worse, with Hong Kong suffering from the emergence of Omicron ("**Omicron**"), the new variant of COVID-19, which led to an increase in economic pressure in the city. With outbreaks of COVID-19 in mainland China in 2022, the domestic economy was significantly affected and the debt defaults were triggered by many property companies in the country, resulting in a more devastating economic situation. In addition, the conflict between Russia and Ukraine led to a severe energy crisis, which has triggered inflation in Europe and the United States. In order to beat inflation, the Federal Reserve has raised interest rates several times, making a continuous increase in the cost of capital abroad.

In view of the grim and complex business environment, the Group has adjusted its strategic objectives in flexibility to cater to the strategic direction of the mainland China government in developing the country, thereby reducing business risks and generating value for our shareholders. For example, 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, such as livestock manure, 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 also in line with the development concepts of innovation, coordination, green, openness, and sharing stipulated in China's 14th Five-Year Plan, and has responded to a series of central government policies, including the *Guiding Opinions on Promoting the Industrialised Development of Bio-natural Gas, Implementation Opinions on Accelerating the Transformation and Development of Rural Energy to Facilitate the Revitalisation of Villages, and Opinions of the State Council on the Key Work of Comprehensively Promoting the Revitalisation of Villages by 2022.* As at the date of this report, the project was listed as a critical project in Shandong Province in 2022.

REVIEW

During the year, the Group's total 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. The increase in revenue from business in Mainland China offsets the decrease in revenue from business in Hong Kong, resulting in an overall increase in revenue. The Group's loss attributable to the shareholders decreased by HK$10.4 million from approximately HK$20.5 million for the year ended 31 March 2022 to a loss of approximately HK$10.1 million for the year ended 31 March 2023, which was mainly due to the increasing in gross profit from petroleum business.

During this difficult time, the Board made prudent decisions with rational judgment. In order to reduce over-reliance on the construction and engineering business in Hong Kong and to protect shareholders' interests, the Group commenced the oil trading business in 2022, which has contributed a significant profit to the Group's operating results in FY2023.

CHAIRMAN'S STATEMENT

PROSPECTS

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 Fed rate increase. These factors will create economic pressure on the Group's business development. With the objective of protecting and creating value for the shareholders of the Company, the Board has been examining the current situation and optimising the Group's resource allocation. On the basis of maintaining the stability of the existing business, the Group has been extending and developing new businesses, by expanding its business in a wider geographical area, and prudently entering more industry sectors to increase business diversification, so as to reduce the risk of business concentration in the past and lower business investment in areas with higher policy risks.

In the long run, with its dimension, we believe that the dynamic Mainland China market will remain to be the driver of the development of the world economy. Based on the analysis of the Group's competitive advantages and resource strengths, the Board will develop more businesses following the strategic development direction of the country, 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 other sectors to expand revenue streams in an effort to offset the adverse impact of the economic hard times.

A NOTE OF APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our colleagues for their unremitting efforts and hard work in the current challenging business environment. I would also like to extend my heartfelt thanks to shareholders, customers and business partners for their continued trust and support to the Group.

Standard Development Group Limited
Liu Zhancheng
Chairman and Executive Director

Hong Kong, 21 June 2023

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.

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. The conflicts between Russia and Ukraine has pushed up the 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 affects 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 affect 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 2023, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and report requirements are met.

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control and waste disposal control.

The details of ESG performance of the Group are set out in the ESG Report, which can be viewed or downloaded from the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company at the same time as the publication of this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers mainly include main contractors and petroleum 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) material and equipment suppliers to supply materials and equipment used for the site work; 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 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 depreciation, 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 (Expense) Credit

The Group recorded income tax expense of approximately HK$1.5 million for the year ended 31 March 2023 as compared to an income tax credit 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 report, 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. As such, as at 31 March 2022, or provision of HK$409,000 is accrued. The said proceedings are currently ongoing.

(iii) On 20 September 2021, PKNG Development and Project Management Limited ("**PKNG**"), a customer of the Group, 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.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 6 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

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

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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 December 2016 (the "**Prospectus**") and the prospectus of the Company dated 23 August 2021 ("**Right Issue Prospectus**") for the rights issue completed on 14 September 2021 ("**Rights Issue**") with the Group's actual business progress to 31 March 2023 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2023 as stated in the Prospectus and Rights Issue Prospectus	Actual business progress up to 31 March 2023
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in Hong Kong	• Utilise net proceeds from the placing to finance the net cash outflows required in the early stage of fourteen new projects with expected aggregate contract sum of not less than approximately HK$37.0 million, including the upfront payments to the materials suppliers and subcontractors and take out surety bonds if necessary. Some payments are paid upfront before the Group receives progress payment from the Group's clients	The Group has used approximately HK$15.5 million to finance the net cash outflows required in the early stage of new projects, including the upfront payments to the suppliers of construction materials and subcontractors. All projects have been completed and the proceeds have been fully utilised for those projects.
	• In addition to previous successfully bid projects, the Group intends to submit tenders for project sum exceeding HK$40.0 million in the fitting-out, renovation and A&A works industry. The Directors confirm that surety bonds amounting to 10% to 30% are often required by the customers for the contractors to take out to guarantee due performance on projects of this size	The Group has used approximately HK$15.5 million to finance the net cash outflows required in the early stage of new projects, including the upfront payments to the suppliers of construction materials and subcontractors. All projects have been completed and the proceeds have been fully utilised for those projects.
	• Undertake new large-sized projects with aggregate contract sum of not less than HK$50.0 million and duration of the projects is expected to last for at least 12 months	The Group has used approximately HK$15.5 million to finance the net cash outflows required in the early stage of new projects, including the upfront payments to the suppliers of construction materials and subcontractors. All projects have been completed and the proceeds have been fully utilised for those projects.
	• Set up a public housing improvement and maintenance team with new positions of contract manager and site agent, which are required for the registration in order to be included in "Group M1" of the List of Building Contractors for Public Works	The Group has spent approximately HK$2.6 million to employ one project manager and two site agents as a public housing improvement and maintenance team for the "Group M1" of the list of Building Contractors for Public Works.

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2023 as stated in the Prospectus and Rights Issue Prospectus	Actual business progress up to 31 March 2023
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	• Assess the capacity of the Group interior design department and evaluate the Group labour resources in this department	The Group has spent approximately HK$1.4 million to employ two designers and one project manager (interior design) to develop the Company's interior design and fitting-out business.
	• The Group will participate in nine interior design competitions, aiming at winning an award which could bolster the market reputation and demonstrate the Group's strength in interior design	The Group is communicating with a few professional consultancies to find the appropriate interior design competition and considering to join the worldwide interior design competition. Under the outbreak of COVID-19, some competitions have been postponed or cancelled and longer time was required to look for appropriate interior design competition.
	• Participate in two interior design related public exhibitions as an exhibitor	The Group is communicating with some experienced consultancies to provide a professional proposal of performing a success interior design exhibition and help the Group to identify appropriate interior design related public exhibition as an exhibitor. Under the outbreak of COVID-19, some exhibitions have been postponed or cancelled and longer time was required to look for appropriate interior design exhibition.
	• Build and modify the interior design and fitting-out mock-up unit in the Group's new office which will be open for public	The Group has spent approximately HK$2.5 million to build the interior design and fitting-out mock-up unit in the Group's new office which will be open for public.
	• Identify suitable candidates to fill two designer posts and one project manager (interior design) openings. Design and print new company brochure.	The Group has recruited two designers and one project manager (interior design). The Group has used approximately HK$1.4 million to design and print new company brochure.

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2023 as stated in the Prospectus and Rights Issue Prospectus	Actual business progress up to 31 March 2023
Expand manpower for project execution and strengthen the skills of the Group's staff	• Identify suitable candidates to fill the Group's openings of one project manager and one project coordinator with relevant experiences	The Group has used approximately HK$0.8 million to employ one experienced project manager and one project coordinator.
	• Continue to assess the sufficiency of the labour resources having regard to the Group's project execution need and business development demand	The Group has spent approximately HK$6.0 million to employ one site foreman and two project assistants, two project managers and one accounting officer to strengthen the Group's project execution.
	• Organise in-house seminars and invite external speakers to provide training on construction methodology, project management and work safety in the in-house seminars	The Group has organised the in-house seminars and inviting the external speakers to provide training on construction methodology, project management and work safety in the in-house seminars.
	• Renovate the Group's new office to cater to enlarged workforce and prepare for new business opportunities in the residential sector, when the Group's existing office lease is due to expire	The Group has spent approximately HK$3.0 million to renovate the new office to cater to enlarged workforce and prepare for new business opportunities in the residential sector.
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	• Set up and maintain the business development	The Group has spent approximately HK$1.6 million to employ one business development manager and one project assistant to establish a business development team.
	• Maintain the Group's quantity surveying team which will consist of one quantity survey manager, one quantity surveyor and one project assistant, with sufficient relevant quantity surveying experience, which will assist the Group in preparing tenders, payment applications and controlling project costs	The Group has spent approximately HK$3.4 million to employ one project assistant, one quantity surveyor assistant, one quantity surveyor and one quantity survey manager to form a quantity survey team which will assist the Group in preparing tenders, payment applications and controlling project costs.

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2023 as stated in the Prospectus and Rights Issue Prospectus	Actual business progress up to 31 March 2023
	• Identify suitable candidates with business development experience and fill one business development position for interior design and fitting-out business	The Group has recruited one business development manager for the business development department.
	• Design, create and print the corporate brochures	The Group has spent approximately HK$1.4 million to employ one draftsman and one assistant project manager in handling the design aspect of the Group's business development.
	• Maintain and improve the Group's corporate website	The Group has used approximately HK$83,000 to set up the new corporate website. The Group has communicated with one website design company to provide a professional company website design.
To start up the new business of the new subsidiary in Mainland China	• Operating expenses of the new subsidiary and settlement of the set-up costs	The Group has used approximately HK$31.4 million to finance the net cash outflows required in the early stage of new projects in Mainland China, including the upfront payments to the suppliers of construction materials and subcontractors.
	• Other operating expenses of the new subsidiary	The Group has use approximately HK$3.6 million for payment of other cost of subsidiary including leasehold improvement.
	• Setting up a new office of the new subsidiary	The Group has use approximately HK$1.1 million for setting up new office, including hiring employees and office daily expense. The amount has been fully utilised for setting up new office.
Trading business in Mainland China	Trading of petroleum products	The Group has used approximately HK$30.7 million for trading of petroleum products. The amount has been fully utilised.

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)	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	
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 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
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 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
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

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 report.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out as follows:

Executive Directors

Mr. LIU Zhancheng（劉展程）("Mr. Liu"), aged 48, is the executive Director appointed with effect from 20 May 2021, chairman (the "**Chairman**") and chief executive officer of the Board. He is also the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Liu obtained a bachelor's degree in management from Shandong College of Finance and Economics*（山東財政學院）in the PRC in 2005, and a master's degree in engineering from Ocean University of China*（中國海洋大學）in the PRC in 2013. Since 2009, Mr. Liu has started his business ventures and had founded Shandong Fujincheng Investment Co., Ltd.*（山東富金成投資有限公司）("**Shandong Fujincheng**") in the PRC, which is principally engaged in engineering projects involving, among others, high-voltage electricity, municipal administration and building construction, as well as petrochemical supply chain business and financial services business. Mr. Liu has been a director and general manager of Shandong Fujincheng since 2009.

Ms. QIN Mingyue（秦鳴悦）("Ms. Qin"), aged 30, is the executive Director appointed with effect from 20 May 2021. Ms. Qin obtained a bachelor's degree from Communication University of China*（中國傳媒大學）in the PRC in 2011. Since 2011, Ms. Qin has been a manager in the planning department of Wanna Investment (Beijing) Company Limited*（萬納投資（北京）有限公司）("**Wanna Investment (Beijing)**"), which is owned as to 99% by Mr. Liu and 1% by Ms. Qin. Since its establishment in 2006, Wanna Investment (Beijing) has been providing business planning, investment management, corporate management consultancy and sales and marketing services to a diverse customer group, including Shandong Haomin and other companies which are principally engaged in the business(es) of construction works, fitting-out works and/or engineering project management. As the manager in the planning department of Wanna Investment (Beijing), Ms. Qin is mainly responsible for external promotion and investment activities, including formulating business strategies, devising sales and marketing strategies and exploring promotion channels, and client relationship management.

Mr. XU Jing（徐景）("Mr. Xu"), aged 37, was appointed as an executive Director, the chief financial officer and an authorized representative of the Company under the Listing Rules with effect from 19 December 2022. He obtained a bachelor degree of business administration with a major in financial services and a minor in accountancy from The Hong Kong Polytechnic University in 2009 and master degree of business administration from The Hong Kong University of Science and Technology in 2017. Mr. Xu became a Chartered Financial Analyst in January 2014 and obtained the qualification of Certified Public Accountant from Hong Kong Institute of Certified Public Accountants in March 2016. Mr. Xu has more than 10 years of experience in financial management, corporate finance and business development. He was a deputy CEO and general manager of offshore business of Morris Home Holdings Limited (stock code: 1575), a company listed on the Main Board of the Stock Exchange. Previously, Mr. Xu was the Investment Manager at SEAVI Advent Ocean Private Equity Limited, and worked at CCB International Capital Limited and at Deloitte and Touche Financial Advisory Services Limited involving in corporate finance and investment banking activities.

Independent Non-executive Directors

Dr. SU Lixin（蘇黎新）("Dr. Su"), aged 48, was appointed as an independent non-executive Director on 9 June 2021. She is currently the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. She obtained a Bachelor degree of International Trade from Shanghai University of Finance and Economics in the People's Republic of China in July 1997. She obtained a Doctor degree of Philosophy in Management Science from The University of Texas at Dallas in August 2005. She has over 16 years of experience in accounting studies. She has been employed by The Hong Kong Polytechnic University from August 2005 to January 2017 and her last position was associate professor in the School of Accounting and Finance. She has been employed by Lingnan University from January 2017 to August 2021 and her last position was Professor and Head of Department of Accountancy, Faculty of Business of Lingnan University. She re-joined The Hong Kong Polytechnic University as a professor and Head of School of Accounting and Finance in August 2021. Dr. Su has also been appointed as an independent non-executive director of China Nuclear Energy Technology Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 611) since May 2022.

Dr. Su has a broad research interest in disclosure, reporting, and auditing. She has also worked creatively across accounting, supply chain, and social network. Dr. Su has published in prestigious accounting journals, such as Journal of Accounting and Economics, The Accounting Review, and in other business journals, including Management Science and Journal of Business Ethics. She is a co-editor of the *Journal of Contemporary Accounting and Economics* and has served as the executive editor of China Accounting and Finance Review as well as a special issue editor of Accounting Horizons. She has also served as dissertation or program examiners for other Hong Kong universities as well as the investigation panel of the Hong Kong Institute of Certified Public Accountants.

Mr. LIANG Rongjin（梁榮進）("Mr. Liang"), aged 63, was appointed as an independent non-executive Director on 9 June 2021. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Liang had served in Shandong Engineering Consultation Yard*（山東省工程諮詢院）for over 30 years. Mr. Liang held the position of Officer of Social Business Department and senior professional third-level researcher until his retirement in December
2019.

Mr. Liang obtained the specialist qualification of Chemical Defense from People's Liberation Army Defense Chemical Academy*（中國人民解放軍陸軍防化學院）(formerly known as the Defense Chemical Academy*（防化學院）) in July 1986. He further obtained a bachelor degree of Economic Management from Shandong Economic Management Institute*（山東省經濟管理幹部學院）in July 1996.

Mr. Liang became a registered supervision engineer of the Ministry of Transportation of the People's Republic of China in May 1998. Since April 2005, he has been a registered consulting engineer (investment) of the People's Republic of China. Mr. Liang also became a project management professional of Project Management Institute in the United States since December 2008. He was also a FIDIC Certified Consulting Engineer of the International Federation of Consulting Engineers from 2016 to 2019.

Mr. Liang was appointed as an expert of China Engineering Consulting Association from December 2009 to December 2011, and was appointed as a vice chairman of the 6th session of the Thermal Power Committee of the Chinese Society for Electrical Engineering in December 2016.

* *For identification purpose only*

Dr. YAN Bing（嚴兵）(“Dr. Yan”), aged 45, was appointed as an independent non-executive Director on 9 June 2021. Dr. Yan is also a member of the Audit Committee.

Dr. Yan obtained a Bachelor degree of International Trade (International Economics) from Shandong University in the People’s Republic of China in July 1998. He obtained a Master degree of International Trade from Xiamen University in the People’s Republic of China in July 2001. Dr. Yan further obtained a Doctor degree of Global Economics from Nankai University in the People’s Republic of China in July 2004.

Dr. Yan has over 21 years of experience in international economics studies. Since July 2004, Dr. Yan was employed by Nankai University. He is currently a professor, a doctoral advisor and a director of the Institute of International Economics of Nankai University.

Save as disclosed in this annual report, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

Company Secretary

Mr. Chu Pui Ki, Dickson（朱沛祺）(“Mr. Chu”), aged 38, was appointed as the company secretary of the Company on 30 September 2022. Mr. Chu is primarily responsible for overseeing the company secretarial affairs and the financial matters of the Group.

Mr. Chu has over 10 years of relevant experience in accounting and auditing and has experience in tax, internal control matters and holding the positions of company secretary and authorised representative in other companies listed on the Stock Exchange. He is currently serving as the company secretary and providing professional corporate services to companies listed in the main board and GEM of the Stock Exchange.

Mr. Chu graduated from the Hong Kong Baptist University in Hong Kong with a bachelor’s degree of business administration in accounting in November 2006 and he has been a member of Hong Kong Institute of Certified Public Accountants since February 2011.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Company and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in construction and engineering related businesses in Mainland China and Hong Kong, including interior fitting-out and renovation services, alteration and addition works for properties, petroleum business and farming business. Details of the principal activities of its subsidiaries are set out in Note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. Details of the Dividend Policy is disclosed as below.

The Dividend Policy aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year, subject to the criteria set out below.

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company.

In proposing any dividend payout, the Board shall also take into account, inter alia:–

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;

- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per share basis.

In addition to cash, dividends may be distributed in the form of shares subject to and in accordance with the procedures set out in the Company's memorandum and articles of association.

Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income in this report. The state of affairs of the Group and the Company as at 31 March 2023 are set out in the consolidated statement of financial position and Note 40 to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 16 August 2023 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 11 August 2023 to Wednesday, 16 August 2023, both days inclusive, during which no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10 August 2023.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 134. This summary does not form part of the audited consolidated financial statements of the Group.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

DONATION

During the year ended 31 March 2023, the Group did not make any charitable donations (2022: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 40 to the consolidated financial statements respectively.

SHARE OPTIONS SCHEMES

The Company conditionally adopted a share option scheme on 23 December 2016 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and other relevant rules and regulations. Further details of the Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus and Note 31 to the consolidated financial statements.

The Company has no share scheme other than the Scheme.

TAX RELIEF

The Board is not aware of any tax relief available to shareholders of the Company by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 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, an executive Director. As such, Shandong Finance Energy is an associate of Mr. Liu Zhancheng 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 20 January 2023.

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

* *For identification purpose only*

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2023 are set out in Note 34 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company's reserves available for distribution to owners comprising share premium account and retained profits, amounted to approximately HK$154.4 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 24.4% (HK$161.1 million), while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 56.7% (HK$375.9 million).

During the year ended 31 March 2023, the percentage of the Group's purchase amount attributable to the Group's largest supplier was approximately HK$147.6 million (23.1%) of the total direct costs, while the percentage of the Group's total purchase amount attributable to the five largest suppliers in aggregate was approximately HK$425.8 million (66.6%) of the total direct costs.

To the best knowledge of the Directors, none of the Directors, or any of their close associates or shareholders who own more than 5% of the Company's issued share capital has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Board during the year and up to date of this annual report were as follows:

Executive Directors

Mr. Liu Zhancheng *(Chairman and Chief Executive Officer)*
Ms. Qin Mingyue
Mr. Xu Jing (appointed on 19 December 2022)
Mr. Ye Zuobin (resigned on 2 December 2022)

Independent non-executive Directors

Dr. Su Lixin
Mr. Liang Rongjin
Dr. Yan Bing

In accordance with the memorandum and articles of association of the Company, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders of the Company after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting.

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not terminable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in Note 34 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 March 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 21 of this annual report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Note 12 and Note 13 respectively to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors of the Company for the year ended 31 March 2023 are set out in Note 13 to the consolidated financial statements.

The senior management of the Group comprises the Directors. The emoluments of the senior management of the Group other than the Directors for the year ended 31 March 2023 falls within the following band:

Emolument Band	Number of Senior Management
Nil to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1

EMOLUMENT POLICY

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the duties, responsibilities, operating results, individual employees' performance, Group's performance and comparable market practices.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2023 are set out in Note 32 to the consolidated financial statement.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Directors) and letters of appointment (for the independent non-executive Directors) with the Company entered into with each of the Directors, no contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2023.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below and the share option scheme disclosures in Note 31 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2023, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance ("**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the registered referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules, are as follows:

Long positions in shares and underlying shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Liu Zhancheng *(Note 1)*	Interest in a controlled corporation	1,118,460,000	74.86%
Mr. Xu	Beneficial owner	10,000	0.00% *(Note 2)*

Notes:

(1) Mr. Liu Zhancheng ("**Mr. Liu**") beneficially owns the entire issued share capital of Fujincheng which directly holds 74.86% of the issued share capital of the Company. Therefore, Mr. Liu is deemed, or taken to be, interested in all the shares held by Fujincheng for the purpose of the SFO. Mr. Liu is the sole director of Fujincheng.

(2) Less than 0.01%

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2023, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares

Name	Capacity/nature	Number of Shares held	Approximate percentage of shareholding
Fujincheng	Beneficial owner	1,118,460,000	74.86%
Ms. Qin Hui *(Note)*	Interest of spouse	1,118,460,000	74.86%

Note:

Ms. Qin Hui is the spouse of Mr. Liu. Therefore, Ms. Qin Hui is deemed, or taken to be interested in all the shares in which Mr. Liu is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Report – Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company (the "**Controlling Shareholders**") or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules during the year ended 31 March 2023.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 31 to 44 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the Listing Rules during the year ended 31 March 2023 and up to the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

On 27 April 2020, HLB Hodgson Impey Cheng Limited ("**HLB**") resigned and Asian Alliance (HK) CPA Limited was appointed as the auditor of the Group. HLB confirmed that there were no matters that need to be brought to the attention of the shareholders of the Company in relation to its resignation. Details of the change of auditor were set out in the announcement of the Company dated 27 April 2020.

Save as disclosed above, there were no other changes in auditor of the Group during the past three years.

The consolidated financial statements of the Group for the year ended 31 March 2023 were audited by Asian Alliance (HK) CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Asian Alliance (HK) CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD
Standard Development Group Limited
Liu Zhancheng
Chairman and executive Director

Hong Kong, 21 June 2023

INTRODUCTION

The Company is committed to achieving and maintaining high standards of corporate governance. The Board treats corporate governance as an integral part of business strategy, as good and effective corporate governance practices are fundamental to obtaining and maintaining the trust of the shareholders' and stakeholders' of the Company. By putting in place the right governance framework, the encouragement of accountability and transparency are the key to sustain the success of the Group and to promote the interests of its shareholders of the Company.

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 annual report, 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 of the CG Code as set out in the sub– section "Chairman and Chief Executive Officer" in "Corporate Governance Report" on pages 36 and the code provision F.2.2 of the CG Code as set out in the sub-section "Attendance Record of Meetings" in "Corporate Governance Report" on page 40.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. They report periodically to the Board of their work and business decisions.

Board Composition

The composition of the Board as at this annual report is set out as follows:

Executive Directors

Mr. Liu Zhancheng *(Chairman and Chief Executive Officer)*
Ms. Qin Mingyue
Mr. Xu Jing (appointed on 19 December 2022)
Mr. Ye Zuobin (resigned on 2 December 2022)

Independent non-executive Directors

Dr. Su Lixin
Mr. Liang Rongjin
Dr. Yan Bing

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 19 to 21 of this annual report.

The proportion of independent non-executive Director is higher than what is required by Rules 3.10A, 3.10 (1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Board.

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018 which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. Details of the Nomination Policy is disclosed as below.

1. PURPOSE

1.1 The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.

1.2 The Nomination Policy aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

2. CRITERIA

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) independence;

(e) reputation for integrity;

(f) potential contributions that the individual(s) can bring to the Board; and

(g) commitment to enhance and maximize shareholders' value.

3. RE-ELECTION OF DIRECTOR AT GENERAL MEETING

3.1 The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria in section 2.

3.2 The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

4. NOMINATION PROCESS

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

5. RESPONSIBILITY

The Board will be ultimately responsible for the selection, appointment and re-appointment of Directors.

6. MONITORING AND REPORTING

The Nomination Committee will assess and report annually, in the Corporate Governance Report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

7. REVIEW OF THE NOMINATION POLICY

The Nomination Committee will launch a formal process to review the Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

8. DISCLOSURE OF THE NOMINATION POLICY

8.1 A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

8.2 In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;

- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;

- the perspectives, skills and experience that the candidate can bring to the Board; and

- how the candidate can contribute to the diversity of the Board.

DIVERSITY OF THE BOARD

The Board has adopted a “Board Diversity Policy” (the “**Policy**”) which sets out the approach to achieve diversity on the Board and the Nomination Committee is responsible for monitoring the implementation of the Policy. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Policy, including but not limited to gender, age, cultural and educational background, or professional experience etc. The Nomination Committee will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

The Board will review the implementation and effectiveness of the Policy on an annual basis to ensure its continued effectiveness. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company; and will continue to apply the principle of appointments based on merits with reference to the Policy as a whole.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 March 2023 is 22 male: 28 female. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce. The Board considers that the gender ratio in the workforce (including senior management) is satisfactory. Yet, the Group will still (i) periodically review internal records on gender diversity; (ii) identify suitable female candidates for relevant positions within the Company; and (iii) try to ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company. The Board will ensure that any successors to the Board shall follow the Policy.

The Board currently comprises of six Directors, two of which are female. The Board is currently of the opinion that it generally meets the diversity requirements under the Listing Rules. The Board and the Nomination Committee are of the view that it is not necessary to set numerical targets and timeline for board gender diversity for the time being. Yet, the Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified and will review the implementation and effectiveness of the Policy on an annual basis to ensure its continued effectiveness.

During the year ended 31 March 2023, the Nomination Committee has reviewed the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the 2023 annual general meeting, to review the structure, size and composition of the Board and to review the Policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate’s character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Liu and Ms. Qin, both executive Directors, has entered into a service contract with the Company on 26 May 2021. Mr. Xu, an executive Director, has entered into a service contract with the Company on 19 December 2022. Each of the independent non-executive Directors has signed the letters of appointment with the Company on 9 June 2021. The service contracts with each of the executive Directors and the letters of appointment with each of the independent non-executive Directors are for a term of three years commencing from the date of the service contracts and letters of appointment. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable Listing Rules.

According to the Article 108 of the memorandum and articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Ms. Qin, Mr. Xu and Mr. Liang will retire from office at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 August 2023. Ms. Qin, Mr. Xu and Mr. Liang being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Ms. Qin, Mr. Xu and Mr. Liang.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 March 2023, the Company has provided and all Directors have attended training courses on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

The training records of the Directors for the year ended 31 March 2023 are summarised as follows:

Name of Directors	Type of Trainings
Executive Directors	
Mr. Liu Zhancheng	A, B
Ms. Qin Mingyue	A, B
Mr. Xu Jing (appointed on 19 December 2022)	A, B
Mr. Ye Zuobin (resigned on 2 December 2022)	A, B
Independent non-executive Directors	
Dr. Su Lixin	A, B
Mr. Liang Rongjin	A, B
Dr. Yan Bing	A, B

A: attending training session/seminars/workshops/conferences/forums

B: reading materials relevant to the business of the Group, regulatory updates, corporate governance and directors' duties and responsibilities

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.bzg.cn. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

Remuneration Committee

The Remuneration Committee was established on 23 December 2016. The chairman of the Remuneration Committee is Mr. Liang Rongjin, an independent non-executive Director, and other members include Dr. Su Lixin, an independent non-executive Director and Mr. Liu Zhancheng, the Chairman and an executive Director. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee held one meeting to review the bonus distribution and the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2023. No director nor any of his or her associates was involved in deciding his or her own remuneration.

Nomination Committee

The Nomination Committee was established on 23 December 2016. The chairman of the Nomination Committee is Mr. Liu Zhancheng, the Chairman and an executive Director, and other members included Dr. Su Lixin and Mr. Liang Rongjin, both independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 March 2023, the Nomination Committee held one meeting to review and recommend the re-election of Directors.

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.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of any other Director.

Below are details of all Directors' attendance at the Board meeting and Board committees' meeting held during the year ended 31 March 2023:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2022 Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Liu Zhancheng	3/3	N/A	1/1	1/1	0/1	1/2
Ms. Qin Mingyue	3/3	N/A	N/A	N/A	1/1	2/2
Mr. Xu Jing (appointed on 19 December 2022)	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Ye Zuobin (resigned on 2 December 2022)	3/3	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Dr. Su Lixin	3/3	2/2	1/1	1/1	1/1	1/2
Mr. Liang Rongjin	3/3	2/2	1/1	1/1	0/1	1/2
Dr. Yan Bing	3/3	2/2	N/A	N/A	1/1	2/2

N/A represents not applicable

The code provision F.2.2 of the CG Code provides that the chairman of the board of directors of a listed issuer should attend the annual general meeting. Mr. Liu Zhancheng, the chairman of the Board, was unable to attend the 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.

INDEPENDENT VIEWS AND INPUT

During the year ended 31 March 2023, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Board considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- a sufficient number of three independent non-executive Directors representing more than one-third of the Board and all of them continue to devote adequate time contribution to the Company;
- the independent non-executive Directors have an equal status to other Board members;
- all independent non-executive Directors share their views and opinions through regular quarterly meetings;

- annual meeting between the Chairman and all independent non-executive Directors without presence of other Directors providing effective platform for the Chairman to listen independent views on various issues concerning the Group;

- interaction with management and other Board members including the Chairman outside the boardroom upon request by the Directors; and

- independent professional advice would be provided to independent non-executive Directors upon reasonable request to assist them to perform their duties to the Company.

COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

Mr. Chu was appointed as the company secretary of the Company on 30 September 2022. For the year ended 31 March 2023, Mr. Chu undertook no less than 15 hours of relevant professional training to update his skill and knowledge. The biographies of Mr. Chu is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

During the year, the remuneration paid or payable to the external auditors of the Company, Asian Alliance (HK) CPA Limited, in respect of the audit and non-audit services were as follows:

	Remuneration paid/payable HK$'000
Statutory audit services	740,000
Non-assurance service	150,000
	890,000

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2022 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

Under code provision D.2.5 of the CG Code, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. In addition, the Audit Committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

WHISTLEBLOWING POLICY

The whistleblowing policy has been put in place for all employees and those who have business dealings with the Group (including customers and suppliers) to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Group's policies that have or could have significant adverse financial, legal or reputational impacts on the Group. They may raise concerns about the possible improprieties in any matters related to the Group, in person or in writing to the company secretary of the Company who shall report to the chairman of the Audit Committee in confidence and anonymity. The chairman of the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report.

ANTI-CORRUPTION POLICY

The Group has formulated its own anti-corruption policy to ensure the Directors and employees within the Group comply with the Hong Kong Prevention of Bribery Ordinance, the Criminal Law of the PRC, the Anti– Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC, where applicable. The policy sets out the integrity and conduct requirements and policies or controls in place which applies to all Directors and employees of the Group at all levels, and external parties doing business with the Group and those acting in an agency or fiduciary capacity on behalf of the Group (e.g., agents, consultants and contractors). The policy is reviewed from time to time to ensure that it remains appropriate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with an objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders with details as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange at “www.hkexnews.hk” and the Company’s website at “www.bzg.cn”;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company’s website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong branch share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company’s principal place of business in Hong Kong.

The Board will regularly review the shareholders communication policy to ensure its effectiveness. During the year ended 31 March 2023, the Board reviewed the implementations and effectiveness of the policy and considered that the policy remained effective and was properly implemented given the multiple channels of communication in place during the year.

During the year ended 31 March 2023, the amended and restated Memorandum and Articles of Association was adopted by the shareholders of the Company in the annual general meeting of the Company held on 8 September 2022 for (i) conforming to the core standards set out in Appendix 3 of the Listing Rules, (ii) updating the existing memorandum and articles of association according to the relevant requirements of the Listing Rules and the applicable laws of the Cayman Islands; and (iii) to making some housekeeping amendments. An up-to-date version of the Company’s Memorandum and Articles of Association is also available on the Company’s website and the Stock Exchange’s website.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE SHAREHOLDERS OF STANDARD DEVELOPMENT GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Standard Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 133, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts	
We identified the recognition of revenue from construction contracts as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole and the degree of judgement and estimation uncertainty involved. As disclosed in Note 5 to the consolidated financial statements, the Group recognised revenue from construction contracts of approximately HK$148,748,000 for the year ended 31 March 2023. Revenue from construction contracts is recognised over time during the course of construction by reference to the progress towards complete satisfaction of relevant performance obligation, measured based on output method with reference to certificates issued by independent surveyor or correspondence with customers.	Our audit procedures in relation to recognition of revenue from construction contracts mainly included: • Obtaining an understanding of the control over recognition of revenue from construction contracts; • Agreeing the total budgeted contract revenue to the construction contracts and variation orders, if any, or other form of agreements or other correspondences, and discussing with the management of the Group to evaluate the reasonableness of their estimated total budgeted contract revenue, on a sample basis; • Verifying whether value of work has been reasonably recognised as contract revenue including variations in contract work, by agreeing to the latest payment certificates issued by the independent surveyors or correspondence with customers and performing site visits to the construction sites, on a sample basis.

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
Valuation of trade receivables and contract assets	
We identified the valuation of trade receivables and contract assets as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole and degree of estimations made by the management of the Group. As set out in Note 3.2 to the consolidated financial statements, the Group estimates the amount of impairment loss for expected credit loss ("**ECL**") on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increase of credit default rates. As disclosed in Notes 22 and Note 23 to the consolidated financial statements, as at 31 March 2023, the carrying amounts of trade receivables and contract assets were approximated to HK$44,696,000 and HK$27,186,000, respectively, net of allowance for credit losses of approximately HK$19,728,000 and HK$16,773,000.	Our audit procedures in relation to valuation of trade receivables and contract assets included: • Understanding and evaluating the methodologies and assumptions used by the Group in assessing the ECL of trade receivables and contract assets; • Obtaining aged analysis of trade receivables and contract assets and testing the accuracy of information used by management by comparing individual items in the analysis with relevant supporting documents, on a sample basis; • Evaluating the reasonableness of management assessment on ECL by challenging the assumptions, including both historical and forward-looking information used to determine the ECL; • Discussing with the management of the Group for their evaluation of the impact of disputes with customers and unforeseen delay of construction projects, if any, on the credit risk of trade receivables and contract assets and checking to relevant correspondences and documents to assess the reasonableness of management's evaluation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chung Chi Chiu
Practising Certificate Number: P06610

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

21 June 2023

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	5	**661,230**	306,558
Direct costs		**(639,114)**	(296,377)
Gross profit		**22,116**	10,181
Other income, other gains and losses, net	7	**1,529**	169
Fair value loss on biological asset	21	**(627)**	–
Impairment losses under expected credit loss model, net of reversal	8	**(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	9	**(697)**	(419)
Loss before tax		**(7,351)**	(21,676)
Income tax (expense) credit	10	**(1,478)**	666
Loss for the year	11	**(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			
– Basic (HK cents)	15	**(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	16	**2,231**	2,539
Right-of-use assets	17	**1,767**	2,984
Investments in life insurance contracts	19	**3,384**	3,140
Deposits paid	22	**2,705**	–
Deferred tax assets	29	**4,905**	3,485
		14,992	12,148
CURRENT ASSETS			
Inventories	20	**516**	–
Biological assets	21	**3,258**	–
Trade and other receivables	22	**74,000**	57,956
Contract assets	23	**27,186**	43,106
Financial assets at fair value through profit or loss	24	**11**	12
Tax recoverable		**668**	994
Cash and cash equivalents	25	**153,344**	139,538
		258,983	241,606
CURRENT LIABILITIES			
Trade and other payables	26	**86,866**	89,736
Borrowings	28	**14,865**	13,371
Lease liabilities	27	**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	27	**727**	1,689
NET ASSETS		**169,318**	145,324
CAPITAL AND RESERVES			
Share capital	30	**14,940**	13,440
Reserves		**154,378**	131,884
TOTAL EQUITY		**169,318**	145,324

The consolidated financial statements on pages 50 to 133 were approved and authorised for issue by the Board of Directors on 21 June 2023 and are signed on its behalf by:

LIU ZHANCHENG	**XU JING**
DIRECTOR	*DIRECTOR*

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 (Note a)	Statutory reserve HK$'000 (Note c)	Special reserve HK$'000 (Note b)	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 (Note 30)	2,240	47,040	–	–	–	–	49,280
Transaction costs attributable to rights issue (Note 30)	–	(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 (Note 30)	1,500	33,000	–	–	–	–	34,500
Transaction costs attributable to subscription of shares (Note 30)	–	(405)	–	–	–	–	(405)
At 31 March 2023	14,940	131,551	1,610	876	(754)	21,095	169,318

Notes:

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

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

c) In accordance with the relevant PRC laws and regulations and the respective articles of association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

   The statutory surplus reserves can be utilised to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(7,351)**	(21,676)
Adjustments for:		
Depreciation of plant and equipment	**934**	655
Depreciation of right-of-use assets	**1,408**	1,439
Loss from change in fair value of financial assets at fair value through profit or loss	**1**	2
Fair value loss on biological asset	**627**	–
Impairment losses under expected credit loss model, net of reversal	**6,161**	8,755
Financial costs	**697**	419
Bank interest income	**(918)**	(27)
Gain on changes in surrender values of investments in insurance contracts	**(235)**	(14)
Loss on written-off of trade receivables	**–**	315
Operating cash flows before movements in working capital	**1,324**	(10,132)
Increase in inventories	**(516)**	–
Increase in biological assets	**(3,885)**	–
(Increase) decrease in trade and other receivables	**(23,984)**	5,069
Decrease (increase) in contract assets	**14,994**	(4,543)
Decrease in amounts due from related parties	**–**	811
(Decrease) increase in trade and other payables	**(2,870)**	83,148
Cash (used in) generated from operations	**(14,937)**	74,353
Interest received	**918**	27
Income tax (paid) refunded	**(3,516)**	86
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(17,535)**	74,466
INVESTING ACTIVITIES		
Purchases of plant and equipment	**(716)**	(2,359)
Acquisition of right-of-use asset upon initial recognition	**(191)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(907)**	(2,359)
FINANCING ACTIVITIES		
Interest paid	**(602)**	(346)
Repayment of lease liabilities	**(1,372)**	(1,594)
Proceeds from issue of new shares	**34,500**	49,280
Transaction costs attributable to rights issue	**–**	(1,169)
Transaction costs attributable to subscription of shares	**(405)**	–
Proceeds from borrowings	**44,001**	41,264
Repayment of borrowings	**(42,507)**	(51,465)
NET CASH FROM FINANCING ACTIVITIES	**33,615**	35,970
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,173**	108,077
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**139,538**	30,943
Effect of foreign exchange rate change	**(1,367)**	518
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**153,344**	139,538

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

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

2.1 Impacts on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 April 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

2.2 Impacts on application of Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 April 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

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

2.3 Impacts on application of Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 April 2022.

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

2.4 Impacts on application of Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

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

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 April 2022.

HKFRS 16 Leases

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

HKAS 41 Agriculture

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

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

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

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 HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

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

New and amendments to HKFRSs in issue but not yet effective (continued)

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 Amendment**") 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.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

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.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

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

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

As 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for the investments in life insurance contracts are measured at cash surrender value and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Investment in a life insurance contract

The Group acquired a key man life insurance contract, which includes both investment and insurance elements. The investment in insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contract (cash surrender value) at the end of each reporting period, with changes in value recognised in profit or loss.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Leases of low-value assets

The Group applies recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For the lease modification that is not accounted for as separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocated the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income, other gains and losses, net” line item.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transaction in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment loss on plant and equipment and right-of-use asset

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Biological assets

Biological assets consist of the growing produce before harvest in field.

The growing produce on file are the growing of wheat and crops of the Group on the cultivation bases. These biological assets are measured at fair value less costs to sell on initial recognition and at the end of each reporting period.

If an active market exists for a biological assets with reference to comparable specie, growing condition and expected yield of the wheat and crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group use the most recent market transaction price, provided that there has not been significant change in economic circumstances between the transaction date and the end of the reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises. Upon the sale of the growing produce, the carrying amount is transferred to cost of sales in the consolidated statement of profit or loss.

Biological assets that are expected to be realised in the next harvest within the next twelve months are classified under current assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for construction and engineering related services are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Contingent assets/liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, other gains and losses, net" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivable and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in trading of petroleum. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the petroleum. The Group has inventory risk, credit risk and has discretion in establishing the price for the petroleum. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 March 2023, the Group recognised revenue relating to trading of petroleum amounted to approximately HK$503,207,000 (2022: HK$132,828,000).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty on revenue recognition from construction contracts

Revenue from construction contracts is recognised based on value of construction works completed by the Group to date with reference to payment certificates issued by independent surveyors or correspondence with customers. Taking into consideration of timing of issuance of payment certificates and period of works covered by payment certificates, management reviews and estimates the progress of the construction contract as the contract progresses.

Notwithstanding that management reviews and revises the estimates of contract revenue for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 38(b).

Provision for claims on construction works

When accounting for provision for claims on construction works and other items, the Group has taken internal and external advice in considering known claims and actions made by or against the Group. It carefully assesses the likelihood of success of a claim or actions. Surety bonds are set up for certain contracts, claims or actions against the Group, but no provisions are made for those which in the view of management are unlikely to succeed. Changes to their assumptions, including the potential risk of having claims or likelihood of success of a claim or an action, would result in changes in the provision for claims on consecution works recognised on the consolidated statement of profit or loss and other comprehensive income. Provision on possible obligations, if appropriate, are made based on management's best estimates and judgements. The information about the provision of litigation and surety bond is disclosed in Notes 26, 33 and 39 respectively.

Deferred tax assets

As at 31 March 2023, a deferred tax asset of approximately HK$4,645,000 (2022: HK$2,978,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the Covid-19 pandemic may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Estimated impairment of plant and equipment and right-of-use assets

Plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

As at 31 March 2023, the carrying amounts of plant and equipment and right-of-use assets subject to impairment assessment were approximately HK$190,000 and approximately HK$817,000 (2022: approximately HK$830,000 and approximately HK$1,677,000) respectively. There is no impairment is recognised on plant and equipment and right-of-use assets for the year ended 31 March 2023. Details of the impairment of plant and equipment and right-of-use assets are disclosed in Note 18 to the consolidated financial statements.

Fair value of biological assets

Management estimates the current market prices less costs to sell of biological assets at the end of each reporting period with reference to market prices and professional valuations. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement gains/losses in future accounting periods.

The Group's farming business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under laws in the PRC will assist in minimising exposure. To the extent that un-anticipated factors affecting harvestable growing produces may result in re-measurement of harvest gains/losses in future accounting periods.

The carrying amount of biological assets as at 31 March 2023 was approximately HK$3,258,000 (2022: Nil).

Net realisable value of inventories

Management reviews the conditions of inventories at the end of each reporting period, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and/or sales in the market. These estimates are based on current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at the end of each reporting period.

5. 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

5. REVENUE (CONTINUED)

(i) Disaggregation of revenue from contracts with customers (continued)

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

	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**	–
Revenue from contracts with customers	**658,179**	306,558
Farmland leasing	**3,051**	–
Total	**661,230**	306,558

(ii) Performance obligations for contracts with customers

Construction and engineering related business

The Group provides construction and engineering related services and interior design services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these services based on the progress towards completion of the contract using output method. The Directors consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

A contract asset, net of contract lability related to the same contract, is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified specific milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the approval of progress from the counterparty received.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which range from six months to 1 year from the date of the practical completion of the performance obligation. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

The Group also engaged in selling of construction consumables.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (continued)

Construction and engineering business (continued)

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified locations. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 90 days upon delivery.

Petroleum business

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified locations. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 30 days upon delivery.

Farming business

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified locations. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 120 days upon delivery.

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 March 2023 amounted to approximately HK$145,671,000 (2022: approximately HK$255,037,000). Management expects that all the remaining performance obligations will be recognised as revenue within one year from the end of the reporting period. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Leases

	2023 **HK$'000**	2022 HK$'000
For operating leases:		
Lease payments that are fixed	**3,051**	–

6. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the "**Board**"), being the chief operating decision maker (the "**CODM**"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 March 2023, the Group commenced the business engaging in farming, which include farmland leasing, trading of agricultural consumables and planting (crops and wheat). It is considered as a new operating and reportable segment by the CODM.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Trading of construction materials have been relocated from the "Trading business segment" to "Construction and engineering related business segment". Prior year segment disclosures have been represented to conform with the current year's presentation.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

a.	Construction and engineering related business	– Provision of construction and engineering related services – Provision of interior design services – Sales of construction consumables – Other related business
b.	Petroleum business	– Trading of petroleum products
c.	Farming business	– Planation, sale of agricultural consumables, farmland leasing and other related business

(a) Segment revenues and results

For the year ended 31 March 2023

	Construction and engineering related business HK$'000	Petroleum business HK$'000	Farming business HK$'000	Total HK$'000
Segment revenue	153,871	503,207	4,152	661,230
Segment results	(111)	12,189	(410)	11,668
Unallocated corporate income				1,249
Unallocated corporate expenses				(20,268)
Loss before tax				(7,351)

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

For the year ended 31 March 2022

	Construction and engineering related business HK$'000	Petroleum business HK$'000	Total HK$'000
Segment revenue	173,730	132,828	306,558
Segment results	(9,149)	8,123	(1,026)
Unallocated corporate income			41
Unallocated corporate expenses			(20,691)
Loss before tax			(21,676)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.2. Segment results represent the profit earned by/loss from each segment without allocation of central administration costs, certain other income, gains and losses, certain finance costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

(b) Segment assets and liabilities

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

For the year ended 31 March 2023

	Construction and engineering related business HK$'000	**Petroleum business HK$'000**	**Farming business HK$'000**	**Total HK$'000**
Reportable segment assets	**254,293**	**893**	**12,198**	**267,384**
Unallocated assets				**6,300**
				273,684
Reportable segment liabilities	**(42,868)**	**(56,117)**	**(112)**	**(99,097)**
Unallocated liabilities				**(5,560)**
				(104,657)

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets other than certain of the Group's plant and equipment, right-of-use assets, other receivables, financial assets at FVTPL and cash and cash equivalents are allocated to operating segments; and
- All liabilities other than certain of the Group's other payables and lease liabilities are allocated to operating segments.

During the year ended 31 March 2022, the CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities are presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(c) Other segment information

For the year ended 31 March 2023

Amounts included in the measure of segment result or segment assets:

	Construction and engineering related business HK$'000	Petroleum business HK$'000	Farming business HK$'000	Unallocated HK$'000	Total HK$'000
Addition of plant and equipment	677	–	8	31	716
Addition of right-of-use assets	191	–	–	–	191
Depreciation of plant and equipment	(550)	(31)	–	(353)	(934)
Depreciation of right-of-use assets	(428)	–	–	(980)	(1,408)
Gain on changes in surrender values of investments in insurance contracts	–	–	–	235	235
Fair value loss on biological asset	–	–	(627)	–	(627)
Impairment loss recognised on trade receivables	(5,232)	–	(4)	–	(5,236)
Reversal of impairment loss recognised on unbilled revenue	224	–	–	–	224
Impairment loss recognised on retention receivables	(1,150)	–	–	–	(1,150)
Reversal of impairment loss (impairment loss) recognised on other receivables	3	–	(2)	–	1
Bank interest income	–	–	–	918	918
Finance costs	(604)	–	–	(93)	(697)
Government grants	469	–	–	96	565

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information (continued)

For the year ended 31 March 2022

Amounts included in the measure of segment result or segment assets:

	Construction and engineering related business HK$'000	Petroleum business HK$'000	Unallocated HK$'000	Total HK$'000
Addition of plant and equipment	2,354	–	5	2,359
Addition of right-of-use assets	–	–	2,941	2,941
Depreciation of plant and equipment	(654)	–	(1)	(655)
Depreciation of right-of-use assets	(1,112)	–	(327)	(1,439)
Gain on changes in surrender values of investments in insurance contracts	–	–	14	14
Impairment loss recognised on trade receivables	(7,168)	(163)	–	(7,331)
Impairment loss recognised on unbilled revenue	(246)	–	–	(246)
Impairment loss recognised on retention receivables	(1,160)	–	–	(1,160)
Impairment loss recognised on other receivables	(18)	–	–	(18)
Loss on written-off of trade receivables	(315)	–	–	(315)
Bank interest income	–	–	27	27
Finance costs	(34)	–	(385)	(419)

(d) Geographical information

The Group's operations are principally located in Hong Kong and Mainland China.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Hong Kong	**127,486**	152,366	**2,326**	4,304
Mainland China	**533,744**	154,192	**1,672**	1,219
	661,230	306,558	**3,998**	5,523

Note: Non-current assets excluded deferred tax assets, investments in life insurance contracts and financial instruments.

6. SEGMENT INFORMATION (CONTINUED)

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2023 HK$'000	2022 HK$'000
Customer A[1]	**N/A[2]**	68,308
Customer B[1]	**161,071**	N/A[2]

1 Revenue from petroleum business.
2. The corresponding revenue did not contribute over 10% of the Group's total revenue.

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023 HK$'000	2022 HK$'000
Other income		
Bank interest income	**918**	27
Exchange difference, net	**(555)**	(349)
Government grants (Note)	**565**	–
Sundry income	**367**	479
	1,295	157
Other gains and losses		
Gain on changes in surrender values of investments in insurance contracts	**235**	14
Loss from change in fair value of financial assets at fair value through profit or loss	**(1)**	(2)
	234	12
	1,529	169

Note: During the year ended 31 March 2023, the Group recognised government grants of approximately HK$565,000 in respect of COVID-19 related subsidies, which relates to Employment Support Scheme provided by the Hong Kong Government. The Group has complied with all attached conditions for the year ended 31 March 2023.

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

	2023 HK$'000	2022 HK$'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

Details of impairment assessment are set out in Note 38(b).

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE (CREDIT)

	2023 HK$'000	2022 HK$'000
Current tax:		
– Hong Kong	**–**	–
– PRC Enterprise Income Tax	**2,898**	2,222
	2,898	2,222
Deferred tax (Note 29)	**(1,420)**	(2,888)
	1,478	(666)

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

No provision of taxation in Hong Kong has been made as the group entities in Hong Kong did not generate any assessable profits for the years ended 31 March 2023 and 2022.

10. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

Under the Law of the People's Republic of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% for both years. A subsidiary of the Company in Mainland China satisfied the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises. The portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million shall be calculated at a reduced rate of 25% as taxable income amount and be subject to EIT at 20% tax rate. The portion over RMB1 million but not exceeding RMB3 million shall be calculated at a reduced rate of 50% as taxable income amount and be subject to EIT at 20% tax rate.

The tax expense (credit) for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000
Loss before tax	**(7,351)**	(21,676)
Tax calculated at the applicable tax rate	**(120)**	(2,807)
Tax effect of temporary differences not recognised	**52**	97
Tax effect of income not taxable for tax purpose	**(68)**	(1)
Tax effect of expenses not deductible for tax purpose	**1,614**	2,045
Income tax expense (credit) for the year	**1,478**	(666)

11. LOSS FOR THE YEAR

	2023 HK$'000	2022 HK$'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 (Note 39)	–	734
Lease payments not included in the measurement of lease liabilities	3,224	2
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 (Note 12)	20,357	23,955

During the year ended 31 March 2023, total depreciation amounting to approximately HK$88,000 (2022: Nil) was included in selling expenses and amounting to approximately HK$2,254,000 (2022: approximately HK$2,094,000) was included in administrative and other operating expenses.

During the year ended 31 March 2023, total employee benefits expense amounting to approximately HK$5,952,000 (2022: approximately HK$12,408,000) was included in direct costs, amounting to approximately HK$341,000 (2022: Nil) was included in selling expenses and amounting to approximately HK$14,064,000 (2022: approximately HK$11,547,000) was included in administrative and other operating expenses.

12. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to each of the Directors disclosed pursuant to the applicable Listing Rules and CO, are as follows:

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonus* HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 March 2023					
Executive directors					
Mr. Liu Zhancheng (Chairman and Chief Executive Officer)	240	3,405	–	18	3,663
Ms. Qin Mingyue	240	785	–	18	1,043
Mr. Ye Zuobin (resigned on 2 December 2022)	161	1,061	–	12	1,234
Mr. Xu Jing (appointed on 19 December 2022)	68	503	–	6	577
Independent non-executive directors					
Dr. Su Lixin	240	–	–	–	240
Mr. Liang Rongjin	240	–	–	–	240
Dr. Yan Bing	240	–	–	–	240
	1,429	5,754	–	54	7,237
For the year ended 31 March 2022					
Executive directors					
Ms. Wong Wan Sze (Chairman) (resigned on 8 June 2021)	–	149	–	4	153
Mr. Lam Shui Wah (Chief Executive Officer) (resigned on 8 June 2021)	–	268	–	4	272
Mr. Liu Zhancheng (Chairman and Chief Executive Officer) (appointed on 20 May 2021)	204	2,635	158	17	3,014
Ms. Qin Mingyue (appointed on 20 May 2021)	204	596	36	16	852
Mr. Ye Zuobin (appointed on 9 June 2021)	195	1,321	378	15	1,909
Independent non-executive directors					
Dr. Su Lixin (appointed on 9 June 2021)	195	–	–	–	195
Mr. Liang Rongjin (appointed on 9 June 2021)	195	–	–	–	195
Dr. Yan Bing (appointed on 9 June 2021)	195	–	–	–	195
Mr. Ng Man Wai (resigned on 9 June 2021)	28	–	–	–	28
Mr. Wu Wai Ki (resigned on 9 June 2021)	28	–	–	–	28
Ms. Tsang Ngo Yin (resigned on 9 June 2021)	28	–	–	–	28
	1,272	4,969	572	56	6,869

12. DIRECTORS' EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or a chief executive officer nor any of the Directors waived or agreed to waive any emoluments during the year ended 31 March 2023 (2022: Nil).

* For the discretionary bonus, it is determined by reference to the duties, responsibilities, operating results, individual performance, Group's performance and comparable market statistics during the year.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include three (2022: three) directors, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and other benefits in kind	**1,771**	1,914
Discretionary bonus	**202**	177
Contributions to retirement benefit scheme	**35**	36
	2,008	2,127

Their remuneration were within the following bands:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	2
	2	2

During the year ended 31 March 2023, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join, or upon joining the Group, or as compensation for loss of office (2022: Nil).

14. 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).

15. 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 **HK$'000**	2022 HK$'000
Loss for the year	**(9,120)**	(21,010)

	2023 **'000**	2022 '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.

16. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 April 2021	3,522	2,749	70	6,341
Additions	1,025	1,334	–	2,359
At 31 March 2022	4,547	4,083	70	8,700
Additions	195	224	297	716
Written-off	(3,522)	–	–	(3,522)
Exchange adjustment	(10)	(86)	–	(96)
At 31 March 2023	**1,210**	**4,221**	**367**	**5,798**
ACCUMULATED DEPRECIATION				
At 1 April 2021	3,522	1,925	59	5,506
Charge for the year	64	580	11	655
At 31 March 2022	3,586	2,505	70	6,161
Charge for the year	380	500	54	934
Eliminated on written-off	(3,522)	–	–	(3,522)
Exchange adjustment	(1)	(5)	–	(6)
At 31 March 2023	**443**	**3,000**	**124**	**3,567**
CARRYING AMOUNTS				
At 31 March 2023	**767**	**1,221**	**243**	**2,231**
At 31 March 2022	961	1,578	–	2,539

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	20%
Motor vehicles	30%

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 31 March 2023	
Carrying amount	**1,767**
As at 31 March 2022	
Carrying amount	2,984
For the year ended 31 March 2023	
Depreciation charge	**1,408**
For the year ended 31 March 2022	
Depreciation charge	1,439

	2023 HK$'000	2022 HK$'000
Total cash outflow for leases	**4,596**	1,596
Additions to right-of-use assets	**191**	2,941
Expenses relating to leases of low-value assets	**5**	2
Expenses relating to short-term leases	**3,219**	–

For both years, the Group lease offices for its operation. The lease contracts are entered into fixed term from 2 to 3 years (2022: 2 to 3 years). Lease term is negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancelled period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

Termination Option

The Group has termination option in a lease for office (2022: has termination option in a lease for office). It is used to maximise operational flexibility in terms of managing the asset used in the Group's operation. The termination option held are exercisable only by the Group and not by the respective lessor.

The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination option. In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2022: Nil).

18. IMPAIRMENT TESTING ON PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the years ended 31 March 2023 and 2022, as the construction and engineering related business in Hong Kong suffered an operating loss, the management of the Group concluded there was indication for impairment and conducted impairment assessment on certain plant and equipment and right-of-use assets with carrying amounts of approximately HK$190,000 (2022: HK$830,000) and approximately HK$817,000 (2022: HK$1,677,000) respectively.

In addition, the Group estimates the recoverable amount of the cash-generating unit of construction and engineering related business in Hong Kong to which the asset belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of that cash-generating unit has been determined based on the value in use calculation prepared by the management of the Group. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years (2022: 5 years) with a pre-tax discount rate of 11.8% (2022: 12.0%). The annual growth rate used is approximately 6.0% (2022: 2.2%), which is based on the cash-generating units' past performance and management expectations for the market development. The financial model assumes a terminal growth rate of 3.0% (2022: 3.0%) taking into account of the inflation rate. The growth rates and discount rate as at 31 March 2023 and 2022 have been assessed taking into consideration higher degree of estimation uncertainties due to how the COVID-19 pandemic may progress and evolve.

As at 31 March 2023, based on the result of the assessment, management of the Group determined that the recoverable amount of the cash-generating unit exceeded the carrying amount by approximately HK$4,742,000 and thus the management of the Group determines that there is no impairment is recognised on plant and equipment and right-of-use assets. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash generating unit to exceed the recoverable amount of the cash generating unit.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

19. INVESTMENTS IN LIFE INSURANCE CONTRACTS

The Group entered into two life insurance policies with an insurance company to insure Mr. Cheung Ka Yan and Mr. Lam Shui Wah, the ex-directors of the Company. Under the policies, Ample Construction Company Limited ("**Ample Construction**"), an indirect wholly-owned subsidiary of the Company, is the beneficiary and policy holder and the total insured sum are US$2,000,000. Ample Construction is required to pay upfront deposits of approximately US$333,000. Ample Construction can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payments of approximately US$333,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the fifteenth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ample Construction a guaranteed interest of 4.0% per annum for the first ten years, followed by guaranteed interest rate of 3.0% or above per annum for the following years.

The Directors consider that the possibility of terminating the policy during the first to fifteenth policy year was low and the expected life of the life insurance policy remains unchanged since its initial recognition. At 31 March 2023, the investments in life insurance contracts amounted to approximately HK$3,384,000 (2022: HK$3,140,000). The investments in life insurance contracts are denominated in US$.

20. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials and consumables	516	–

21. BIOLOGICAL ASSETS

	2023 HK$'000	2022 HK$'000
As at 1 April	–	–
Increase due to cultivation	3,885	–
Change in fair value less costs to sell	(627)	–
As at 31 March	3,258	–

	2023 HK$'000	2022 HK$'000
Wheat	3,258	–

(a) Description of the Group's biological assets

As at 31 March 2023, the biological assets represent wheat and all the wheat are located in Shandong, the PRC.

At 31 March 2023, the Group grow winter wheat in leased farmland with approximately 4,793 mu in Shandong. Winter wheat is planted in the autumn (ie. September) and normally harvested in summer (ie. June) and are classified as current.

(b) Measurement of fair value

The fair value of the Group's growing produce was independently valued by Valtech Valuation Advisory Limited ("Valtech"). After due consideration of the experience and credentials of Valtech, the Directors are satisfied that Valtech is competent to determine the valuation of the Group's biological assets. The Directors are of the opinion that Valtech is independent from the Directors.

The fair value of growing produce is categorised into level 3 of the fair value hierarchy.

21. BIOLOGICAL ASSETS (CONTINUED)

(b) Measurement of fair value (continued)

Fair value measurement of growing produce

Valtech has adopted income approach as basis for estimating the fair value less costs to sell of the Group's growing produce. The principal assumptions adopted are as follows:

– Production volume per mu;
– Selling price; and
– Discount rate

Significant unobservable inputs	Input value/range 2023	Relationship of unobservable inputs to fair value
Production volume per mu per kg	400 to 425	The higher the production volume per mu, the higher the fair value, and vice versa
Selling price per kg	RMB2.88	The higher the selling price per kg, the higher the fair value, and vice versa
Discount rate	18%	The higher the discount rate, the lower the fair value, and vice versa

(c) Sensitivity analysis on change in material inputs used in the valuation techniques are as follows:

Change on the production volume per mu per kg	Increased by 5% HK$'000	Decreased by 5% HK$'000
Increase (decrease) in fair value	**101 to 114**	**(101) to (114)**

Change on the selling price per kg	Increased by 5% HK$'000	Decreased by 5% HK$'000
Increase (decrease) in fair value	**101 to 114**	**(101) to (114)**

Change on the discount rate	Increased by 1% HK$'000	Decreased by 1% HK$'000
(Decrease) increase in fair value	**(3)**	**3**

21. BIOLOGICAL ASSETS (CONTINUED)

(d) Financial risk management strategies

The Group is exposed to a number of risks related to its plantation:

1. Regulatory risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established policies and procedures aimed at compliance with local laws. Management performs regular reviews to identify law and regulation risks and to ensure that the systems in place are adequate to manage those risks.

2. Climate and other risks

The Group's winter wheat plantations are exposed to the risk of damage from climatic changes, diseases, heavy rain and other natural forces. The Group has extensive processes in place aimed to minimise those risks, including regular health inspections of the winter wheat, industry pest and disease surveys.

Besides, the Group also has biological insurance coverage for all growing wheat for the natural disasters, pests and accidents. In the opinion of management, the above policies are effective and sufficient against the financial risk arising from planation. There is no restriction on the title of growing wheat owned by the Group and there is no commitment for acquisition biological assets at the end of reporting period. The management is regularly reviewing the portfolio of biological assets to maximise the return.

22. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'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 (Note a)	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 (Note b)	(2,705)	–
Other receivables, net	29,304	17,811
Trade and other receivables, net	74,000	57,956

As at 1 April 2022, trade receivables from contracts with customers amounted to HK$47,486,000 (net of allowance of credit loss of approximately HK$7,161,000).

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 HK$'000	2022 HK$'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

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 March 2023, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$53,542,000 (2022: approximately HK$34,397,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$32,488,000 (2022: approximately HK$19,120,000) has been past due 180 days or more. The Directors considers credit risks have increased significantly and those balances past due more than 180 days are considered as credit-impaired.

Details of impairment assessment of trade and other receivables are set out in Note 38(b).

Notes:

(a) As at 31 March 2023, included in other receivables, prepayments and deposits were: (i) prepaid rent of approximately HK$6,008,000 (2022: Nil) to village committee; (ii) prepaid short-term storage cost of petroleum with approximately HK$857,000 (2022: Nil); and (iii) a collateral of approximately HK$7,366,000 (2022: approximately HK$3,741,000) paid to insurance companies for the issuance of surety bonds. Details of the surety bonds are set out in Note 33.

(b) As at 31 March 2023, included in the Group's other receivables, amount of approximately HK$2,705,000 (2022: Nil) represent deposits paid for acquisition of plant and equipment.

23. CONTRACT ASSETS

	2023 **HK$'000**	2022 HK$'000
Contract assets arise from construction contracts		
– Retention receivables of construction contracts (Note (a))	**17,789**	24,873
– Unbilled revenue of construction contracts (Note (b))	**26,170**	34,080
Less: Allowance for credit losses	**(16,773)**	(15,847)
	27,186	43,106

As at 1 April 2021, contract assets amounted to approximately HK$39,969,000 (net of allowance for credit losses of approximately HK$14,441,000).

Notes:

(a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

(b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers or when the Group entitled to issue invoices for the completed work to the customers.

The Group classified these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of impairment assessment of contract assets are set out in Note 38(b).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	2023 **HK$'000**	2022 HK$'000
Financial assets mandatorily measured at FVTPL		
– Equity securities listed in the Stock Exchange	**11**	12

The fair values of the equity securities were determined based on the quoted market prices in an active market.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short-term cash commitments, which carry interest at market rates range from 0.0000% to 3.4300% (2022: 0.0000% to 0.7000%).

Including in the bank balances, bank deposit of HK$6,000,000 (2022: HK$6,000,000) with maturities less than 3 months were pledged to bank to secure bank borrowings granted to the Group as disclosed in Note 28.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2023 **HK$'000**	2022 HK$'000
Amounts denominated in:		
RMB	**113,178**	110,315
HK$	**–**	150
	113,178	110,465

However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Details of impairment assessment of bank balances are set out in Note 38(b).

26. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	74,231	82,337
Other payables and accruals (Note a)	7,506	6,382
Amounts due to directors (Note b)	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 HK$'000	2022 HK$'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

Notes:

(a) On 5 March 2021, Bondway Development Limited, a customer of the Group, commenced civil proceedings in the High Court against Ample Construction for a water seepage damage for the fitting out project in a sum of not less than HK$267,000. On 10 March 2021, the Group received a writ of summon from the High Court in relation to the legal proceeding. Ample Construction has filed a defence on 30 June 2021 into court. As at 31 March 2023 and up to the date of this report, Ample Construction had not received any judgment 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, a provision of HK$267,000 (2022: HK$267,000) is accrued.

On 21 April 2021, Ample Construction had commenced civil proceedings in the District Court against Lai Si Construction (Hong Kong) Limited ("Lai Si"), a customer of the Group. Lai Si owed Ample Construction an aggregated amount of approximately HK$1,870,000 in respect of two fitting-out and alteration contracts. On 26 August 2021, Lai Si has filed a reply and counter claim to Ample Construction for the amount of approximately HK$409,000. Ample Construction has filed a defence on 26 October 2021 into court. As at 31 March 2023 and up to the date of this report, Ample Construction had not received any judgment 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, a provision of HK$409,000 (2022: HK$409,000) is accrued.

On 24 November 2021, Ready Electrical Metal Work Limited, a sub-contractor of the Group, commenced civil proceedings in the District Court against Ample Construction to claim for the sum of approximately HK$325,000, being the outstanding balance of two works contracts. As at 31 March 2022, 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 2022, a provision of HK$325,000 is accrued. As at 31 March 2023, Ample Construction had settled the claim with paid the sum of approximately HK$270,000 according to consent summons issued by District Court on 5 August 2022.

(b) As at 31 March 2023, the amounts due to Directors represent the accrued salary to Directors. The balances are non-trade nature, unsecured, interest-free and repayable on demand.

27. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	962	1,277
Within a period of more than one year but not exceeding two years	727	962
Within a period of more than two years but not exceeding five years	–	727
	1,689	2,966
Less: Amount due for settlement with 12 months shown under current liabilities	(962)	(1,277)
Amount due for settlement after 12 months shown under non-current liabilities	727	1,689

The incremental borrowing rates applied to lease liabilities range from 3.34% to 4.25% (2022: 3.34% to 4.25%).

28. BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank loans – secured and repayable within one year	14,865	13,371

The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Notes:

(i) At 31 March 2023 and 2022, all bank loans contained a repayment on demand clause with variable interest rate and were included in current liabilities.

(ii) At 31 March 2023, the bank loans carried interest at rates from Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.35% (2022: ranging from HIBOR plus 2.35% and Best Lending Rate plus 1% per annum).

(iii) At 31 March 2023 and 2022, the banking facilities of the Group granted by a bank was secured by the corporate guarantees given by the Company and a subsidiary, deposits amounting to HK$6,000,000 (2022: HK$6,000,000) as disclosed in Note 25 and investments in life insurance contracts as disclosed in Note 19.

29. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and the movements thereon during the current and prior year:

	ECL provision HK$'000	Accelerated tax depreciation HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2021	186	411	–	597
(Charged) credited to profit or loss (Note 10)	(136)	46	2,978	2,888
At 31 March 2022	50	457	2,978	3,485
(Charged) credited to profit or loss (Note 10)	184	(431)	1,667	1,420
At 31 March 2023	**234**	**26**	**4,645**	**4,905**

At the end of the reporting period, the Group has unused tax losses of approximately HK$28,456,000 (2022: HK$18,048,000) available for offset against future profits and a deferred tax asset has been recognised in respect of such losses. Those losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$5,168,000 (2022: HK$6,514,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

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

	Number of ordinary shares	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and **31 March 2023**	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2021	1,120,000,000	11,200
Issue new shares upon rights issue (Note a)	224,000,000	2,240
At 31 March 2022 and 1 April 2022	1,344,000,000	13,440
Issue of shares upon subscription of shares (Note b)	150,000,000	1,500
At 31 March 2023	**1,494,000,000**	**14,940**

Notes:

(a) On 6 August 2021, the Company announced a rights issue on the basis of one rights share for every five existing shares held by shareholders of the Company at a subscription price of HK$0.22 per rights share. The rights issue was completed and 224,000,000 ordinary shares was issued on 14 September 2021. The net proceeds from the rights issue is approximately HK$48,111,000. Details of the rights issue were disclosed in the prospectus of the Company dated 23 August 2021. The new shares rank pari passu with the existing shares in all respects.

(b) The Company has raised fund by way of a subscription of 150,000,000 shares at the subscription price of HK$0.23 per share payable in full on acceptance. The subscription was completed on 27 October 2022. As a result, net proceeds of approximately HK$34,095,000, net of expenses, was raised. Details of the subscription were disclosed in announcement of the Company dated 27 October 2022. The new shares rank pari passu with the existing shares in all respect.

31. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Scheme**") pursuant to a resolution passed on 23 December 2016. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants, advisors or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. As at the date of this annual report, the total number of shares available for issue under the Scheme was 112,000,000 shares, representing approximately 7.5% of the issued shares of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

31. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. There is no fixed vesting period under the scheme rules. The Directors may determine the vesting conditions and provide them in the offer of the grant of the relevant options. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

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

The Scheme shall be valid and effective for a period of ten years commencing on 23 December 2016 and expiring on the business day immediately preceding the 10th anniversary thereof, subject to early termination provisions contained in the Scheme.

There was no share option granted to eligible participants during the year ended 31 March 2023 (2022: Nil). There was no outstanding share option at 31 March 2023 (2022: Nil).

32. RETIREMENT BENEFIT SCHEME

The Group operates Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The Group contributes monthly to the MPF Scheme at the lower of HK$1,500 per month or 5% of relevant payroll costs for each employee in Hong Kong, which contribution is matched by the employee. The Group's employer contributions vest fully when contributed into the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the payroll cost to the state-managed retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the said scheme.

The total expense recognised in profit or loss of approximately HK$983,000 (2022: approximately HK$761,000) represents contributions paid and payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2023, contributions of approximately HK$4,500 (2022: HK$12,000) due in respect of the year ended 31 March 2023 had not been paid over to the MPF Schemes. The amounts were paid subsequent to the end of the reporting period.

33. SURETY BONDS AND 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 to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

At 31 March 2023, included in other receivables was a cash collateral of approximately HK$7,366,000 (2022: approximately HK$3,741,000) paid to insurance companies for the issuance of surety bonds (Note 22).

The Company and its subsidiary have unconditionally and irrevocably agreed to indemnify the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the surety bonds.

34. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

Key management includes all directors of the Company. The remuneration of key management during the years ended 31 March 2023 and 2022 are as follows:

	2023 **HK$'000**	2022 HK$'000
Fees, salaries and other benefits in kind	**7,183**	6,241
Discretionary bonus	**–**	572
Contributions to retirement benefit scheme	**54**	56
	7,237	6,869

(b) During the years ended 31 March 2023, the Company entered into the following transaction with a related party:

Company	**Transactions**	**2023** **HK$'000**	2022 HK$'000
東營市科瑞思創電子科技有限公司(Note)	Purchases of equipment	**39**	263

Note: Mr. Liu Zhancheng is the common director of 東營市科瑞思創電子科技有限公司 and the Company.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Borrowings	Finance costs payable (included in other payables)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2021	1,546	23,572	–	25,118
Non-cash changes				
Finance costs	73	–	346	419
New lease entered	2,941	–	–	2,941
	3,014	–	346	3,360
Changes from cash flow				
Proceeds from borrowings	–	41,264	–	41,264
Repayment of borrowings	–	(51,465)	–	(51,465)
Repayment of leases liabilities	(1,594)	–	–	(1,594)
Interest paid	–	–	(346)	(346)
	(1,594)	(10,201)	(346)	(12,141)
At 31 March 2022	2,966	13,371	–	16,337
Non-cash changes				
Finance costs	**95**	**–**	**602**	**697**
Changes from cash flow				
Proceeds from borrowings	**–**	**44,001**	**–**	**44,001**
Repayment of borrowings	**–**	**(42,507)**	**–**	**(42,507)**
Repayment of leases liabilities	**(1,372)**	**–**	**–**	**(1,372)**
Interest paid	**–**	**–**	**(602)**	**(602)**
	(1,372)	**1,494**	**(602)**	**(480)**
At 31 March 2023	**1,689**	**14,865**	**–**	**16,554**

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly 2023	Directly 2022	Indirectly 2023	Indirectly 2022	
Thrive Tide Limited	British Virgin Islands	US$200	100%	100%	–	–	Investment holding
Ample Construction Company Limited	Hong Kong	HK$5,000,000	–	–	100%	100%	Provision of construction and engineering related services
Ample Design Company Limited	Hong Kong	HK$10,000	–	–	100%	100%	Provision of interior design services
Ample Investment Company Limited	Hong Kong	HK$10,000	–	–	100%	100%	Inactive
Vitality Development Limited (Note a)	British Virgin Islands	US$100	100%	100%	–	–	Investment holding
Vitality Investment Group Limited (Note a)	Hong Kong	HK$100	–	–	100%	100%	Investment holding
Vitality Construction Development Limited (Note b)	Hong Kong	HK$100	–	–	100%	N/A	Inactive
Colorful Development Group Limited# (Note a)	British Virgin Islands	US$100	100%	100%	–	–	Investment holding
Colorful Investment Group Limited (Note b)	Hong Kong	HK$100	–	–	100%	N/A	Inactive
Colorful Trading Group Limited (Note b)	Hong Kong	HK$100	–	–	100%	N/A	Inactive
Standard Development (Shangdong) Limited*# ("Standard Development (Shangdong)")(Note a)	PRC	Registered capital of US$20,000,000 (Note c)	–	–	100%	100%	Provision of construction and engineering related services and trading of petroleum
山東標發農業服務有限公司* (Note b)	PRC	RMB10,000,000	–	–	100%	N/A	Farming
標發生態(沂南)有限公司* (Note b)	PRC	Registered capital of RMB6,000,000 (Notes c&d)	–	–	60%	N/A	Inactive
標發生態(巨野)有限公司* (Note b)	PRC	Registered capital of RMB6,000,000 (Notes c&d)	–	–	60%	N/A	Inactive

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

* A wholly foreign owned enterprise established in the PRC
\# English name for identification purpose only

Notes:

(a) Newly set up during the year ended 31 March 2022.
(b) Newly set up during the year ended 31 March 2023.
(c) The registered capital has not been fully paid up at 31 March 2023.
(d) Non-controlling interest had not paid up the registered capital at 31 March 2023.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with the capital. Based on the recommendation of the Directors, the Group with balance its overall capital structure through the payment of dividends, new shares issues and share buy-back as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Amortised cost	**207,005**	185,191
Mandatorily measured at FVTPL		
– Held for trading	**11**	12
	207,016	185,203
Financial liabilities		
Amortised cost	**102,744**	105,072

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency bank balances which expose the Group to foreign currency risk. In addition, the Company has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2023	2022
	HK$'000	HK$'000
HK$	**–**	150
RMB	**2**	2
USD	**44**	44

The Group currently does not have a foreign exchange hedging policy. However, the Directors monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

In virtue of the exposure on currency risk being minimal, the respective quantitative disclosures have not been prepared.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities, as set out in Note 27. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings as detailed in Notes 25 and 28 respectively.

The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

A fundamental reform of major interest rate benchmark is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates. As disclosed in Note 28, the Group's HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators. In view that there is no plan to discontinue HIBOR. the Directors considered the risks arising from the interest rate benchmark reform is minimal.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole period. A 50 basis points (2022: 50 basis points) increase or decrease in bank borrowings are used which represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest risk arising from variable-rate bank balances is insignificant.

If interest rates on bank borrowings has been 50 basis points (2022: 50 basis points) higher/lower and all of other variables were held constant, the Group's post-tax loss (2022: post-tax loss) for the year ended 31 March 2023 would increase/decrease (2022: increase/decrease) by approximately HK$62,000 (2022: approximately HK$56,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTPL. The management of the Group manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

The Group currently does not have a policy on hedges of equity price risk. However, the management monitors equity price exposure and will consider hedging significant equity price exposure should the need arise.

In virtue of the exposure on equity price risk being minimal, the respective quantitative disclosures have not been prepared.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposure are primarily attributable to trade and other receivables, contract assets and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets and contract assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management has delegated staff responsible for credit approvals and ongoing monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 32.6% and 64% (2022: 14.0% and 37.6%) of the total trade receivables was due from the top customers and five largest customers respectively.

In addition, the Group performs impairment assessment under ECL model on trade balances and contract assets. Except for items that are credit-impaired, which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped under a provision matrix based on aging of outstanding balances. No impairment losses were recognised individually during the year (2022: HK$8,737,000). Details of the quantitative disclosures are set out below in this note.

Other receivables

The Directors make periodic individual assessment on the recoverability of other receivable based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Reversal of impairment loss of approximately HK$1,000 (2022: impairment loss HK$18,000) was recognised during the year. Details of the quantitative disclosures are set out below in this note.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. The 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balances (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amounts HK$'000	2023 Gross carrying amounts HK$'000	2022 Gross carrying amounts HK$'000	2022 Gross carrying amounts HK$'000
Financial assets at amortised cost								
Trade receivables	22	N/A	(Note b)	Lifetime ECL (not credit-impaired)	31,936		35,517	
			Loss	Lifetime ECL (credit-impaired)	32,488	64,424	19,120	54,637
Other receivables	22	N/A	(Note a)	12m ECL		9,545		6,072
Bank balances	25	A- to AA-	N/A	12m ECL		153,327		139,537
Other items								
Contract assets	23	N/A	(Note b)	Lifetime ECL (not credit-impaired)	25,533		50,400	
			Loss	Lifetime ECL (credit-impaired)	18,426	43,959	8,553	58,953

Note a: For the purpose of internal credit risk management, the Group use past due information to assess whether credit risk has increased significantly since initial recognition. No other receivables were past due as at 31 March 2023 and 31 March 2022.

Note b: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determined the ECL on these items on a collective basis, grouped by past due status.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Significant outstanding balances or credit-impaired trade receivables and contract assets with gross carrying amounts of approximately HK$32,488,000 (2022: HK$19,120,000) and approximately HK$18,426,000 (2022: HK$8,553,000) respectively as at 31 March 2023 were assessed individually.

Gross carrying amount:

	2023		2022	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Current (not past due)	**1.10%**	**10,882**	1.73%	20,240
1-30 days past due	**2.18%**	**5,814**	3.18%	4,654
31-60 days past due	**2.45%**	**11**	3.71%	3,064
61-90 days past due	**2.74%**	**837**	4.41%	2,329
91-180 days past due	**2.81%**	**14,392**	4.72%	5,230
		31,936		35,517

	2023		2022	
	Average loss rate	**Contract assets HK$'000**	Average loss rate	Contract assets HK$'000
Current (not past due)	**1.30%**	**25,533**	1.71%	50,400

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

As at 31 March 2023, the Group provided approximately HK$676,000 (2022: HK$961,000) and approximately HK$334,000 (2022: HK$762,000) of impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of approximately HK$19,052,000 (2022: HK$13,531,000) and approximately HK$16,439,000 (2022: HK$15,085,000) were made for trade receivables and contract assets respectively on significant outstanding balances and credit-impaired balances.

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table show the movement in lifetime ECL that has been recognised for trade receivables:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 April 2021	647	6,514	7,161
Change due to financial instruments recognised as at 1 April 2021:			
– Impairment losses recognised	–	7,162	7,162
– Impairment losses reversed	(416)	(1,891)	(2,307)
– Transfer to credit-impaired	(231)	231	–
New financial asset originated	961	1,515	2,476
As at 31 March 2022	961	13,531	14,492
Change due to financial instruments recognised as at 1 April 2022:			
– Impairment losses recognised	–	1,856	1,856
– Impairment losses reversed	(811)	(1,591)	(2,402)
– Transfer to credit-impaired	(150)	150	–
New financial asset originated	676	5,106	5,782
At 31 March 2023	676	19,052	19,728

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowances of trade receivables are mainly due to:

	2023 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**
Change in parameters	**–**	**1,856**
Settlement of trade receivables with gross amount of approximately HK$31,745,000 and HK$919,000 respectively	**(811)**	**(1,591)**
Trade debtors with a gross amount of approximately HK$4,225,000 defaulted and transferred to credit-impaired	**(150)**	**150**
New trade receivables with gross amount of approximately HK$31,936,000 and HK$10,853,000 respectively	**676**	**5,106**

	2022 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	Credit-impaired HK$'000
Change in parameters	–	7,162
Settlement of trade receivables with gross amount of approximately HK$22,224,000 and HK$15,841,000 respectively	(416)	(1,891)
Trade debtors with a gross amount of approximately HK$5,916,000 defaulted and transferred to credit-impaired	(231)	231
New trade receivables with gross amount of approximately HK$35,517,000 and HK$2,538,000 respectively	961	1,515

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table show the movement in lifetime ECL that has been recognised for contract assets:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 April 2021	480	13,961	14,441
Change due to financial instruments recognised as at 1 April 2021:			
– Impairment losses recognised	106	6,003	6,109
– Impairment losses reversed	(332)	(4,879)	(5,211)
New financial asset originated	508	–	508
At 31 March 2022	762	15,085	15,847
Change due to financial instruments recognised as at 1 April 2022:			
– Impairment losses recognised	97	1,948	2,045
– Impairment losses reversed	(641)	(718)	(1,359)
– Transfer to credit-impaired	(90)	90	–
New financial asset originated	206	34	240
At 31 March 2023	334	16,439	16,773

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowances of contract assets are mainly due to:

	2023 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**
Change in parameters	**97**	**1,948**
Transfer to trade receivables with gross amount of approximately of HK$18,440,000 and HK$1,126,000 respectively	**(641)**	**(718)**
New contract assets with gross amount of approximately HK$4,760,000 and HK$51,000 respectively	**206**	**34**
Trade debtors with a gross amount of approximately HK$3,723,000 defaulted and transferred to credit-impaired	**(90)**	**90**

	2022 Increase (decrease) in lifetime ECL	
	Not credit-impaired HK$'000	Credit-impaired HK$'000
Change in parameters	106	6,003
Transfer to trade receivables with gross amount of approximately of HK$15,688,000 and HK$7,745,000 respectively	(332)	(4,879)
New contract assets with gross amount of approximately HK$27,976,000	508	–

The following table show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL HK$'000
As at 1 April 2021	546
Change due to financial instruments recognised as at 1 April 2021:	
– Impairment losses reversed	(1)
New financial asset originated	19
At 31 March 2022	564
Change due to financial instruments recognised as at 1 April 2022:	
– Impairment losses reversed	(11)
New financial asset originated	10
At 31 March 2023	**563**

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

At 31 March 2023, the Group has available unutilised bank overdraft, business card, and short-term loan facilities with an aggregated amount of approximately HK$25,135,000 (2022: approximately HK$26,629,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date.

	Weighted average interest rate	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 March 2023						
Non-derivative financial liabilities						
Trade and other payables	–	86,190	–	–	86,190	86,190
Lease liabilities	4.25%	1,015	738	–	1,753	1,689
Borrowings	4.69%	14,865	–	–	14,865	14,865
		102,070	738	–	102,808	102,744
At 31 March 2022						
Non-derivative financial liabilities						
Trade and other payables	–	88,735	–	–	88,735	88,735
Lease liabilities	4.24%	1,372	1,015	738	3,125	2,966
Borrowings	3.5%	13,371	–	–	13,371	13,371
		103,478	1,015	738	105,231	105,072

38. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2023, the aggregate carrying amounts of these bank loans amounted to approximately HK$14,865,000 (2022: approximately HK$13,371,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, Details of which are set out in the table below:

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Within One year HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
At 31 March 2023	**14,906**	**14,906**	**14,865**
At 31 March 2022	13,391	13,391	13,371

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined.

	Level 1	
	2022 **HK$'000**	2021 HK$'000
Financial assets at FTVPL		
– listed equity securities	**11**	12

The fair value of the listed equity securities of FVTPL were determined based on the quoted bid price in an active market.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

39. LITIGATIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has also involved in the following litigation:

(a) On 20 September 2021, PKNG Development and Project Management Limited ("PKNG"), a customer of the Group, had commenced civil proceedings against Ample Construction in the District Court to claim for the sum of approximately HK$6,283,000 for the possession of the six post-dated cheques. On 17 December 2021, the Group has submitted the defence and counter-claim against PKNG for the sum of HK$6,000,000. As at 31 March 2023, Ample Construction had not received any judgment in relation to the said proceedings. The Directors expected that it is unlikely that Ample Construction will be responsible for the claimed sum and thus no provision has been provided.

(b) On 14 April 2022, Ample Construction commenced civil proceedings against Workshop Decoration Engineering Co., Ltd ("Workshop"), a sub-contractor of the Group, in the District Court. Ample Construction has made a claim against Workshop for the sum of approximately HK$1,552,000 for defect and non-performance of the works under the works contract. As at 31 March 2023, Ample Construction had not received any judgment in relation to the said proceedings.

(c) On 11 August 2022, an employee employed by a sub-contractor, had commenced civil proceedings against Ample Construction in the District Court to claim for the personal injury compensation. As the amount of compensation is waiting for assessment by Court, no provision has been provided.

(d) On 17 October 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. As at 31 March 2023, the case was settled as the said employee accepted the settlement compensation from a sub-contractor on 14 November 2022.

(e) On 4 July 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. As at 31 March 2023, the case was settled as the said employee accepted the settlement compensation from insurance company on 12 October 2022.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Plant and equipment	4	5
Investment in subsidiaries	29,424	29,424
	29,428	29,429
CURRENT ASSETS		
Amounts due from subsidiaries	94,484	63,737
Trade and other receivables	24	19
Cash and cash equivalents	3,451	5,395
	97,959	69,151
CURRENT LIABILITIES		
Trade and other payables	5,531	1,575
Amounts due to subsidiaries	5,717	5,717
	11,248	7,292
NET CURRENT ASSETS	86,711	61,859
NET ASSETS	116,139	91,288
CAPITAL AND RESERVES		
Share capital	14,940	13,440
Reserves (Note)	101,199	77,848
TOTAL EQUITY	116,139	91,288

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 21 June 2023 and are signed on its behalf by:

LIU ZHANCHENG
DIRECTOR

XU JING
DIRECTOR

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserve is as follows:

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	53,085	29,423	(39,682)	42,826
Loss and total comprehensive expense for the year	–	–	(10,849)	(10,849)
Issue of shares by rights issue	47,040	–	–	47,040
Transaction costs attributable to rights issue	(1,169)	–	–	(1,169)
At 31 March 2022	98,956	29,423	(50,531)	77,848
Loss and total comprehensive expense for the year	–	–	(9,244)	(9,244)
Issue of shares upon subscription of shares	33,000	–	–	33,000
Transaction costs attributable to subscription of shares	(405)	–	–	(405)
At 31 March 2023	**131,551**	**29,423**	**(59,775)**	**101,199**

Special reserve

Special reserve represents the difference between the total equity of Thrive Tide Limited acquired by the Company pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefore.

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2022, the Group entered into a new lease agreement for the use of leased properties for 3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK$2,941,000 and approximately HK$2,941,000 respectively and rental deposit of approximately HK$338,000.

42. CAPITAL COMMITMENTS

	2023 HK$'000	2022 HK$'000
Contracted for but not provided in the consolidated financial statements:		
(i) Unpaid registered capital for subsidiaries	**99,746**	126,600
(ii) Capital injection in an investment (Note)	**22,860**	–
(iii) Construction cost of plant and equipment	**6,313**	–
	128,919	126,600

Note: On 20 December 2022, 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.* ("Dongying Haibao"), Shandong Province Finance Investment Group Co., Ltd.* ("Shandong Finance Energy") and Standard Bio (Juancheng) Co., Ltd.* (the "Target Company"). Pursuant to the Investment Agreement, Standard Development (Shandong), Shandong Finance Energy and Dongying Haibao agreed to contribute a total amount of RMB20,000,000, RMB19,200,000 and RMB800,000 into the Target Company in cash as registered capital of the Target Company, respectively.

The Investment Agreement and the transaction contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting held on 13 February 2023. As at 31 March 2023 and up to the date of this report, the Group had not injected the committed capital into the Target Company. Details have been disclosed in the Company's announcements dated 20 December 2022 and 13 February 2023 and circular dated 19 January 2023.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Prospectus is set out below:

RESULTS

	For the year ended 31 March				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**661,230**	306,558	221,894	295,885	251,386
Direct costs	**639,114**	(296,377)	(207,992)	(267,811)	(198,102)
Gross profit	**22,116**	10,181	13,902	28,074	53,284
(Loss) profit before tax	**(7,351)**	(21,676)	1,850	2,658	20,932
Income tax credit (expense)	**(1,478)**	666	(844)	(1,615)	(4,803)
(Loss) profit for the year	**(8,829)**	(21,010)	1,006	1,043	16,129
(Loss) profit for the year attributable to:					
Owners of the Company	**(8,829)**	(21,010)	1,006	1,043	16,129
Non-controlling interests	**–**	–	–	–	–

ASSETS AND LIABILITIES

	At 31 March				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**273,975**	253,754	149,411	159,164	153,758
Total liabilities	**(104,657)**	(108,430)	(31,706)	(42,465)	(38,102)
Total equity	**169,318**	145,324	117,705	116,699	115,656
Equity attributable to:					
Owners of the Company	**169,318**	145,324	117,705	116,699	115,656
Non-controlling interests	**–**	–	–	–	–