



SANBASE CORPORATION LIMITED

莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2021**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*This announcement, for which the directors (the “**Directors**”) of Sanbase Corporation Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the “**Board**”) of Directors of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2021, together with the comparative figures for the corresponding period in 2020, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2021

	Note	Unaudited			
		Three months ended		Nine months ended	
		31 December		31 December	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	137,803	163,438	348,495	465,012
Cost of sales	5	(127,315)	(152,244)	(318,189)	(428,273)
Gross profit		10,488	11,194	30,306	36,739
Other income	4	–	1,242	–	3,725
Administrative expenses	5	(7,296)	(9,718)	(20,993)	(26,804)
Impairment losses reversed/(recognised) on financial assets	6	(66)	1,357	(887)	(185)
Operating profit		3,126	4,075	8,426	13,475
Finance income		28	21	102	90
Finance costs		(47)	(74)	(155)	(210)
Finance costs – net	7	(19)	(53)	(53)	(120)
Profit before income tax		3,107	4,022	8,373	13,355
Income tax expense	9	(1,314)	(633)	(3,306)	(3,411)
Profit for the period		1,793	3,389	5,067	9,944
Other comprehensive income, net of income tax					
<i>Item that may be subsequently reclassified to profit or loss</i>					
–Exchange differences arising on translation of foreign operation		121	285	223	571
Total comprehensive income for the period		1,914	3,674	5,290	10,515

		Unaudited			
		Three months ended		Nine months ended	
		31 December		31 December	
		2021	2020	2021	2020
Note		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:					
	Owners of the Company	735	1,975	2,130	8,810
	Non-controlling interests	<u>1,058</u>	<u>1,414</u>	<u>2,937</u>	<u>1,134</u>
		<u>1,793</u>	<u>3,389</u>	<u>5,067</u>	<u>9,944</u>
Total comprehensive income					
for the period attributable to:					
	Owners of the Company	814	2,189	2,275	9,234
	Non-controlling interests	<u>1,100</u>	<u>1,485</u>	<u>3,015</u>	<u>1,281</u>
		<u>1,914</u>	<u>3,674</u>	<u>5,290</u>	<u>10,515</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to					
owners of the Company					
	Basic and diluted	<u>10</u> <u>0.37</u>	<u>1.00</u>	<u>1.08</u>	<u>4.45</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2021**

	Unaudited Attributable to owners of the Company						Unaudited Non- controlling interests HK\$'000	Unaudited Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Shares held under share award scheme HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
At 1 April 2020	1,553	57,632	(2,998)	(144)	85,748	141,791	10,414	152,205
Profit for the period	-	-	-	-	8,810	8,810	1,134	9,944
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	424	-	424	147	571
Total comprehensive income for the period	-	-	-	424	8,810	9,234	1,281	10,515
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,992)	(3,992)
At 31 December 2020	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>280</u>	<u>94,558</u>	<u>151,025</u>	<u>7,703</u>	<u>158,728</u>
At 1 April 2021	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>269</u>	<u>86,028</u>	<u>142,484</u>	<u>6,721</u>	<u>149,205</u>
Profit for the period	-	-	-	-	2,130	2,130	2,937	5,067
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	145	-	145	78	223
Total comprehensive income for the period	-	-	-	145	2,130	2,275	3,015	5,290
At 31 December 2021	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>414</u>	<u>88,158</u>	<u>144,759</u>	<u>9,736</u>	<u>154,495</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Sanbase Corporation Limited was incorporated in the Cayman Islands on 24 March 2017 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The principal place of business is 16/F, Loon Kee Building, 267-275 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of interior fit-out solutions in Hong Kong and the People's Republic of China (the "PRC"). The ultimate holding company of the Company is Madison Square International Investment Limited. The ultimate controlling party of the Group is Mr. Wong Sai Chuen ("Mr. Wong" or the "Controlling Shareholder").

The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange since 4 January 2018.

The unaudited condensed consolidated financial information for the three months and nine months ended 31 December 2021 have been reviewed by the audit committee of the Company ("Audit Committee") but have not been reviewed or audited by the Company's auditor.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months and nine months ended 31 December 2021 has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRSs"), which is a collective term for all individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The unaudited condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual report for the year ended 31 March 2021.

The unaudited condensed consolidated financial information for the three months and nine months ended 31 December 2021 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate.

All amounts are presented in Hong Kong dollar thousands ("HK\$'000") in this unaudited condensed consolidated financial information unless otherwise stated.

Application of new and amendments to HKFRSs

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

The Group's accounting policy in relation to government grant is as follows:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Saved for the above, the significant accounting policies that have been used in the preparation of the unaudited condensed consolidated financial information for the three months and nine months ended 31 December 2021 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2021 included in the 2021 Annual Report.

The Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

3. REVENUE AND SEGMENT INFORMATION

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bare shell fit-out	47,272	54,117	143,979	247,877
Restacking	81,567	89,581	164,818	186,509
Reinstatement	–	11,805	6,419	12,106
Design	4,219	102	7,227	1,022
Churn works	4,668	7,675	24,534	16,445
Maintenance and others	77	158	1,518	1,053
	<u>137,803</u>	<u>163,438</u>	<u>348,495</u>	<u>465,012</u>

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months and nine months ended 31 December 2021 and 2020.

The executive Directors have been identified as the chief operating decision makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of interior fit-out solutions in Hong Kong and the PRC for the three months and nine months ended 31 December 2021 and 2020. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Directors regard the Group's business as a single operating segment and review consolidated financial information accordingly. The Group primarily operates in Hong Kong and started its business in the PRC in May 2018. Revenue generated from customers in the PRC is also related to the provision of interior fit-out solutions and the reported geographical segment information is presented as below:

Geographical information

The geographical location of customers is based on the location at which the services provided. The Group's operations and workforce are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group's revenue from external customers.

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	127,111	161,174	326,338	457,473
The PRC	10,692	2,264	22,157	7,539
	<u>137,803</u>	<u>163,438</u>	<u>348,495</u>	<u>465,012</u>

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue are set out below.

	Unaudited	
	Nine months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
Customer A	N/A (Note)	109,162
Customer B	<u>N/A (Note)</u>	<u>100,997</u>

Note: The corresponding revenue did not contribute over 10% of the Group's total revenue.

4. OTHER INCOME

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government subsidies	<u>–</u>	<u>1,242</u>	<u>–</u>	<u>3,725</u>

The amount represents government grant in respect of the Employment Support Scheme received from the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or other contingencies attaching to the grant. The Group did not benefit directly from any other forms of government assistance.

5. EXPENSES BY NATURE

The Group's profits for the three months and nine months ended 31 December 2021 and 2020 are stated after charging the following cost of sales and administrative expenses:

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting charges	119,645	144,268	294,896	398,360
Staff costs (<i>Note 8</i>)	10,210	11,037	30,740	32,842
Cleaning expenses	292	660	2,062	5,595
Insurance expenses	1,061	496	2,248	3,145
Security expenses	28	3	165	310
Operating lease payments	52	3	135	9
Auditor's remuneration	351	331	1,062	1,149
Depreciation on right-of-use assets	800	778	2,332	2,244
Depreciation on property, plant and equipment	331	275	1,018	835
Amortisation of intangible assets	–	44	–	131
Legal and professional fees	742	2,929	1,880	6,740
Other expenses	1,099	1,138	2,644	3,717
	<u>134,611</u>	<u>161,962</u>	<u>339,182</u>	<u>455,077</u>
Total cost of sales and administrative expenses	<u>134,611</u>	<u>161,962</u>	<u>339,182</u>	<u>455,077</u>

6. IMPAIRMENT LOSSES REVERSED/(RECOGNISED) ON FINANCIAL ASSETS

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses reversed/ (recognised) in respect of:				
– Trade receivables	125	1,343	(602)	(455)
– Contract assets	(191)	14	(285)	270
	<u>(66)</u>	<u>1,357</u>	<u>(887)</u>	<u>(185)</u>

7. FINANCE COSTS – NET

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from bank deposits	28	21	102	90
Interest expense on lease liabilities	(47)	(74)	(155)	(210)
	<u>(19)</u>	<u>(53)</u>	<u>(53)</u>	<u>(120)</u>

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, bonuses and allowances	9,770	10,659	29,438	31,739
Retirement benefits contributions	440	378	1,302	1,103
	<u>10,210</u>	<u>11,037</u>	<u>30,740</u>	<u>32,842</u>

9. INCOME TAX EXPENSE

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
– Hong Kong profits tax	1,321	736	3,248	3,426
– PRC enterprise income tax	(84)	(61)	134	41
Deferred tax	77	(42)	(76)	(56)
	<u>1,314</u>	<u>633</u>	<u>3,306</u>	<u>3,411</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Pursuant to the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of Sanbase Interior Contracting Limited is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at the rate of 16.5% on the estimated assessable profits above HK\$2 million for the period.

Under the Law of the PRC on enterprise income tax (“EIT”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (2020: 25%).

No provision for income tax in other jurisdictions has been made as the Group had no assessable profit in other jurisdictions during the period.

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under share award scheme during the three months and nine months ended 31 December 2021 and 2020.

	Unaudited			
	Three months ended 31 December 2021		Nine months ended 31 December 2021	
	2021	2020	2021	2020
Profit attributable to owners of the Company (<i>HK\$'000</i>)	735	1,975	2,130	8,810
Weighted average number of ordinary shares in issue less shares held under share award scheme (<i>'000</i>)	<u>197,944</u>	<u>197,944</u>	<u>197,944</u>	<u>197,944</u>
Basic earnings per ordinary share (<i>HK cents</i>)	<u>0.37</u>	<u>1.00</u>	<u>1.08</u>	<u>4.45</u>

(b) Diluted

There were no outstanding share options as at 31 December 2021 and 2020 and have no potential dilutive ordinary share in issue. Accordingly, diluted earnings per share is equal to basic earnings per share.

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2021 and 2020.

12. RELATED PARTIES TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months and nine months ended 31 December 2021 and 2020.

Compensation of key management

Key management includes executives of the Group. The compensation paid or payable to key management for employee services is shown below:

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	2,010	2,010	6,030	6,030
Retirement benefits contributions	18	18	54	54
	<u>2,028</u>	<u>2,028</u>	<u>6,084</u>	<u>6,084</u>

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	Unaudited	Audited
	As at	As at
	31 December	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surety bonds	<u>5,626</u>	<u>16,242</u>

As at 31 December 2021, the Group provided guarantees of surety bonds in respect of 3 (31 March 2021: 5) construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong and the PRC. Our role in these fit-out projects entails the overall project management, coordination and implementation of fit-out projects by engaging subcontractors from different trades for their services and labour, providing expertise such as controlling the quality aspects of the projects and carrying out corresponding project management.

Our projects can be broadly categorised into (i) bare shell fit-out which is undertaken in the interior space of a vacant premise having basic flooring and plastered walls; (ii) restacking which involve upgrading and re-planning and providing modification work to the existing interior structure of the premise; (iii) reinstatement which involves demolishing any additional moveable structure that were installed by the existing tenant; (iv) design; (v) churn works; and (vi) maintenance and others which involve providing minor repairs and general builder's maintenance work to the tenant's office facilities, pest control and emergency call services, project management services and mechanical, electrical and plumbing ("MEP") consultancy services.

During the nine months ended 31 December 2021 (the "**Current Period**"), the Group recorded a decrease in revenue of 25.1% to HK\$348.5 million from HK\$465.0 million for the nine months ended 31 December 2020 (the "**Previous Period**"). The decrease was mainly attributable to the fact that the prolonged adverse effect on economy of Hong Kong brought by the constant spread of COVID-19 virus worldwide, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects. The Group's gross profit decreased to HK\$30.3 million for the Current Period from HK\$36.7 million for the Previous Period, representing a decrease of 17.5%.

The Group's profit attributable to owners of the Company decreased by 75.8% to HK\$2.1 million for the Current Period from HK\$8.8 million for the Previous Period.

OUTLOOK

Right after entering 2022, Hong Kong was hit by the fifth wave of COVID-19, and prevention and quarantine measures were returned to the most stringent level. This restriction on people's mobility has inevitably disrupted business activities, as well as the associated Grade A office fit-out industry. According to the report issued by Jones Lang LaSalle, the vacancy rate for Grade A commercial properties reached a recent new high at the end of last year. However, the Group also noted a slight increase in rent rates, potentially pointing to the inelastic nature of Grade A offices, as some companies have decided to expand their offices even during such a challenging period. Riding on the rising vaccination rate as well as the growing effectiveness of government's prevention measures, we believed that the high-end fit-out industry in Hong Kong will slowly emerge from the downturn, and the Group's fit-out business will also enjoy an upward momentum.

Regarding the PRC market, its economic activities have more or less fully recovered, as reflected in the strong GDP growth of 8.1% last year. Enjoying such rebound, the Group's PRC business has also grown steadily. Looking ahead, the Group will solidify its existing business presence, by actively participating in more and larger projects in the area, while further expanding its business footprint in order to capture the tremendous opportunities brought by the development of the Guangdong–Hong Kong–Macau Greater Bay Area.

In the long run, the Group believes that Grade A office fit-out services will remain an integral part of economic activities, and as the pandemic starts to subside, the demand for Grade A offices will slowly pick up, along with the demand for fit-out services. Supported by its subcontractor network and technical strengths built over the years, the Group will aim to strengthen its fit-out business in both Hong Kong and the PRC, preparing ahead for the eventual market rebound. The Group will also keep a close watch on market development and seek other opportunities, in order to further enrich its business portfolio and generate higher returns for its shareholders.

FINANCE REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn works; and (vi) maintenance and others. During the Current Period, the Group's revenue slightly decreased by 25.1% to HK\$348.5 million (Previous Period: HK\$465.0 million). The decrease was mainly attributable to the fact that the prolonged adverse effect on economy of Hong Kong brought by the constant spread of COVID-19 virus worldwide, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects.

The following table sets forth a breakdown of the Group's revenue by project types for the nine months ended 31 December 2021 and 2020:

	Unaudited			
	Nine months ended 31 December			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Project type				
Bare shell fit-out	143,979	41.3	247,877	53.3
Restacking	164,818	47.3	186,509	40.1
Reinstatement	6,419	1.8	12,106	2.6
Design	7,227	2.1	1,022	0.2
Churn works	24,534	7.0	16,445	3.6
Maintenance and others	1,518	0.5	1,053	0.2
Total	348,495	100.0	465,012	100.0

As shown in above table, our bare shell fit-out contributed to 41.3% and 53.3% of the Group's total revenue for the nine months ended 31 December 2021 and 2020 respectively. Revenue from bare shell fit-out decreased to HK\$144.0 million for the Current Period from HK\$247.9 million for the Previous Period, representing a decrease of 41.9%.

From 1 April 2021 and up to the date of this announcement, we were newly awarded a total of 22 bare shell fit-out projects with a total project sum of HK\$107.3 million.

Cost of sales and Direct margin

The Group's cost of sales mainly comprised subcontracting charges and staff costs. The decrease in cost of sales from HK\$428.3 million for the Previous Period to HK\$318.2 million for the Current Period, representing a decrease of 25.7%.

Defined as revenue less subcontracting costs, cleaning expenses, insurance expenses and security expenses, direct margin of the Group indicates the overall project profitability before taking into account of other fixed costs. The following table sets forth the breakdown of the Group's direct margin by project types for the nine months ended 31 December 2021 and 2020:

	Unaudited			
	Nine months ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	<i>% of</i>	<i>HK\$'000</i>	<i>% of</i>
Project type		<i>revenue</i>		<i>revenue</i>
Bare shell fit-out	18,322	12.7	30,974	12.5
Restacking	22,679	13.8	23,792	12.8
Reinstatement	845	13.2	74	0.6
Design	5,367	74.3	858	84.0
Churn works	1,999	8.1	2,187	13.3
Maintenance and others	167	11.0	143	13.6
Total	49,379	14.2	58,028	12.5

The Group's overall direct margin decreased to HK\$49.4 million for the Current Period from HK\$58.0 million for the Previous Period. Such decrease in the direct margin was primarily due to the decrease of direct margin from bare shell fit-out.

Other income

The Group's other income amounted to HK\$3.7 million for the Previous Period (Current Period: Nil) as a result of the government subsidies received from the HKSAR government under the "Employment Support Scheme" that provides time-limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

Administrative expenses

The Group's administrative expenses amounted to HK\$21.0 million for the Current Period, representing a decrease of HK\$5.8 million or 21.7% as compared to that of HK\$26.8 million for the Previous Period. Such decrease was primarily attributable to a decrease in legal and professional fee.

Finance costs

The Group's finance costs for the Current Period mainly comprise interest on the lease liabilities after the coming into effect of HKFRS 16. Finance costs for the Current Period was HK\$0.2 million, remaining stable as compared to HK\$0.2 million for the Previous Period.

Income tax expense

The Group's income tax expense for the Current Period was HK\$3.3 million, representing a slight decrease of HK\$0.1 million, as compared to HK\$3.4 million for the Previous Period.

Profit for the period

The Group's profit for the period decreased to HK\$5.1 million for the Current Period from HK\$9.9 million for the Previous Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company amounted to HK\$2.1 million for the Current Period, representing a decrease of HK\$6.7 million, as compared with HK\$8.8 million for the Previous Period.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Current Period, the Group financed its operation by its internal resources. As at 31 December 2021, the Group had net current assets of HK\$123.6 million (31 March 2021: HK\$117.8 million), including cash and cash equivalents balances of HK\$116.5 million (31 March 2021: HK\$112.5 million) mainly denominated in Hong Kong dollars.

The current ratio, being the ratio of current assets to current liabilities, was 1.8 times as at 31 December 2021 (31 March 2021: 2.0 times). The gearing ratio of the Group as at 31 December 2021 was nil (31 March 2021: nil). The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

There has been no change in capital structure of the Company as at 31 December 2021. The equity attributable to owners of the Company amounted to HK\$144.8 million as at 31 December 2021 (31 March 2021: HK\$142.5 million).

The Group does not have any exposure to fluctuations in exchange rates and any related hedges.

PLEDGE OF ASSETS

As at 31 December 2021 and 31 March 2021, the Group had not pledged any assets to secure bank facilities or finance lease obligation.

CAPITAL COMMITMENTS

As at 31 December 2021 and 31 March 2021, the Group had no capital commitment.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Current Period, the Group did not have any significant investment, material acquisition or disposal.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provided guarantees of surety bonds of HK\$5.6 million (31 March 2021: HK\$16.2 million) in respect of 3 (31 March 2021: 5) construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2021, the Group had a total of 83 (31 March 2021: 87) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2021, the interests and short positions of the Directors and chief executive 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 the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors were as follows:

(A) Long Position in the ordinary shares and underlying shares of the Company

Name of Directors/ chief executive	Capacity/ nature of interest	Number of issued shares held/ interested in	Percentage of the issued share capital
Mr. Wong Sai Chuen	Interest in a controlled corporation	112,500,000 (Note 1)	56.25%
Ms. Hui Man Yee, Maggie	Interest of spouse	112,500,000 (Note 2)	56.25%
Mr. Wong Kin Kei	Interest in a controlled corporation	37,500,000 (Note 3)	18.75%

Notes:

- Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under Part XV of the SFO.
- Ms. Hui Man Yee, Maggie is the wife of Mr. Wong Sai Chuen and she was also deemed to be interested in 112,500,000 shares of the Company pursuant to Part XV of the SFO.
- Shares in which Mr. Wong Kin Kei is interested in consist of 37,500,000 Shares held by J&J Partner Investment Group Limited, a company wholly owned by him, in which Mr. Wong Kin Kei is deemed to be interested under Part XV of the SFO.

(B) Long Position in the Shares of associated corporations

Name of Directors/ chief executive	Name of associated corporation	Capacity/ nature of interest	Number of issued shares held/ interested in	Percentage of shareholding
Mr. Wong Sai Chuen	Madison Square International Investment Limited (<i>Note 2</i>)	Beneficial owner	37,500	100%
Ms. Hui Man Yee, Maggie (<i>Note 1</i>)	Madison Square International Investment Limited (<i>Note 2</i>)	Interest of spouse	37,500	100%
Mr. Wong Kin Kei	J&J Partner Investment Group Limited (<i>Note 3</i>)	Beneficial owner	12,500	100%

Notes:

1. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in Mr. Wong Sai Chuen's interest in Madison Square International Investment Limited, pursuant to Part XV of the SFO.
2. Under Part XV of the SFO, a holding company of listed corporation is regarded as an "associated corporation". Madison Square International Investment Limited held 56.25% of our issued share capital and thus was our associated corporation.
3. Under Part XV of the SFO, a holding company of listed corporation is regarded as an "associated corporation". J&J Partner Investment Group Limited held 18.75% of our issued share capital and thus was our associated corporation.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company nor their close associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, so far as known to the Directors, the particulars of the corporate or persons (other than a Director or the chief executive of the Company) which had 5% or more interests and short positions in the shares and the underlying shares of the Company as recorded in the register kept pursuant to section 336 of the SFO were as follows:

Long Position in the ordinary shares and underlying share of the Company

Name of Shareholders	Capacity/ nature of interest	Number of issued shares held/ interested in	Percentage of shareholding
Madison Square International Investment Limited (<i>Note 1</i>)	Beneficial owner	112,500,000	56.25%
Mr. Wong Sai Chuen (<i>Note 1</i>)	Interest in a controlled corporation	112,500,000	56.25%
Ms. Hui Man Yee, Maggie (<i>Note 2</i>)	Interest of spouse	112,500,000	56.25%
J&J Partner Investment Group Limited (<i>Note 3</i>)	Beneficial owner	37,500,000	18.75%
Mr. Wong Kin Kei (<i>Note 3</i>)	Interest in a controlled corporation	37,500,000	18.75%
Ms. Ho Sin Ying (<i>Note 4</i>)	Interest of spouse	37,500,000	18.75%

Notes:

- Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under Part XV of the SFO.
- Ms. Hui Man Yee, Maggie is the wife of Mr. Wong Sai Chuen and she was also deemed to be interested in 112,500,000 shares of the Company pursuant to Part XV of the SFO.
- Shares in which Mr. Wong Kin Kei is interested in consist of 37,500,000 Shares held by J&J Partner Investment Group Limited, a company wholly owned by him, in which Mr. Wong Kin Kei is deemed to be interested under Part XV of the SFO.
- Ms. Ho Sin Ying is the wife of Mr. Wong Kin Kei and she was also deemed to be interested in 37,500,000 shares of the Company pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during the nine months ended 31 December 2021 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to an arrangement that would enable the Directors or their close associates to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in this announcement, at no time during the nine months ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Current Period.

INTEREST IN COMPETING BUSINESS

None of the Directors and Controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest with the Group which any such person has or may have with the Group during the Current Period.

SHARE OPTION SCHEME

On 8 December 2017, the Company adopted the share option scheme (the "**Share Option Scheme**"), which falls within the ambit of, and is subject to, the regulations under Chapter 23 of the GEM Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

Qualified participants of the Share Option Scheme include directors (including executive, non-executive and independent non-executive Directors) and employees (whether full-time or part-time) of the Company or any of its subsidiaries or any other person who in the absolute discretion of the Board has contributed or will contribute to the Group.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 20,000,000 Shares, representing approximately 10% of the total issued share capital of the Company as at the date of this announcement.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The offer of a grant of share options under the Share Option Scheme may be accepted upon payment of a consideration of HK\$1 by the grantee.

The Share Option Scheme will remain in force for a period of 10 years commencing on 8 December 2017 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of share options under the Share Option Scheme is determined by the Board, but shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

A summary of the terms of the Share Option Scheme has been set out in the section headed “E. Share Option Scheme” in Appendix IV of the prospectus of the Company dated 18 December 2017.

No share options have been granted under the Share Option Scheme since its adoption and up to the date of this announcement.

SHARE AWARD SCHEME

On 16 October 2018, the Board approved the adoption of the share award scheme (the “**Share Award Scheme**”) with immediate effect, pursuant to which all eligible persons will be entitled to participate. The purpose of the Share Award Scheme is to recognise the contributions by certain eligible persons and provided them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The total number of shares which may be granted under the Share Award Scheme is 2,056,000, representing approximately 1.03% of the total issued share capital of the Company as at the date of this announcement.

A summary of the terms of the Share Award Scheme has been set out in the announcement of the Company dated 16 October 2018.

No share has been granted under the Share Award Scheme since its adoption and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the nine months ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to adopting a high standard of corporate governance practices and procedures throughout the Group. The Directors firmly believe that sound and reasonable corporate governance practices are essential for the steady growth of the Group and for safeguarding the interests of Shareholders.

The company has complied throughout the nine months ended 31 December 2021 with all the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules, except the following deviations:

1. Under code provision C2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong, holds both positions. Mr. Wong has been primarily responsible for overseeing the Group’s management and business development and formulating business strategies and policies of the Group since 2009. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.
2. Following the resignation of Mr. Chan Chi Kwong, Dickson as an independent non-executive director, a chairman of the remuneration committee and a member of each of the nomination committee and the audit committee of the Company respectively on 30 November 2021, the Company is not able to comply with (i) Rule 5.05(1) of the GEM Listing Rules, which stipulates that every board of directors of a listed issuer must include at least three independent non-executive directors; (ii) Rule 5.28 of the GEM Listing Rules, which stipulates that the audit committee of a listed issuer must comprise a minimum of three members of non-executive directors only; and (iii) Rule 5.34 of the GEM Listing Rules, which stipulates that the remuneration committee of the Company must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors.

In order to comply with Rules 5.05(1), 5.28 and 5.34 of the GEM Listing Rules, the Company is endeavouring to identify a suitable candidate to fill up the casual vacancy as soon as practicable and in any event within three months from 30 November 2021 as prescribed under Rules 5.06 and 5.33 of the GEM Listing Rules and will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules. Details of this matter have been disclosed in the announcement of the Company dated 8 November 2021 and published on the websites of the Stock Exchange and the Company respectively.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2021.

EVENT AFTER THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after the nine months ended 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference which are no less exacting terms than those set out in the CG Code contained in Appendix 15 of the GEM Listing Rules. Currently, the Audit Committee comprises two independent non-executive Directors namely Mr. Cheung Chi Man, Dennis and Mr. Chan Charles Cham Chuen, and chaired by Mr. Cheung Chi Man, Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the nine months ended 31 December 2021, which is of the opinion that such information have been prepared in accordance with all applicable accounting standards, the requirements under the Hong Kong Companies Ordinance and the GEM Listing Rules.

PUBLICATION OF 2021 THIRD QUARTERLY REPORT

The 2021 third quarterly report of the Company containing all the information required by the GEM Listing Rules will be dispatched to Shareholders and will also be published on the websites of HKEXnews (www.hkexnews.hk) as well as the website of the Company (www.sclhk.com).

By order of the Board
Sanbase Corporation Limited
Wong Sai Chuen
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 28 January 2022

As at the date of this announcement, the Board comprises Mr. Wong Sai Chuen (Chairman and Chief Executive Officer), Mr. Wong Kin Kei (Chief Operating Officer), Ms. Hui Man Yee Maggie and Dr. Sung Tak Wing Leo being the executive Directors; and Mr. Cheung Chi Man Dennis and Mr. Chan Charles Cham Chuen being the independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication. This announcement will also be published on the Company’s website at www.sclhk.com.