



SANBASE CORPORATION LIMITED

莊 皇 集 團 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

First Quarterly Report

2018

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*This report, 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 report 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 report misleading.*

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BOARD OF DIRECTORS

Executive Directors

Mr. Wong Sai Chuen
Mr. Wong Kin Kei
Ms. Hui Man Yee, Maggie
Mr. Cheung Ting Pong
(re-designated from executive Director to non-executive Director on 8 May 2018)

Non-executive Director

Mr. Cheung Ting Pong
(re-designated from executive Director to non-executive Director on 8 May 2018)

Independent Non-executive Directors

Mr. Fan Chun Wah, Andrew
Mr. Wu Kam On, Keith
Mr. Pang Chung Fai, Benny

AUDIT COMMITTEE

Mr. Wu Kam On, Keith *(Chairman)*
Mr. Fan Chun Wah, Andrew
Mr. Pang Chung Fai, Benny

REMUNERATION COMMITTEE

Mr. Pang Chung Fai, Benny *(Chairman)*
Mr. Fan Chun Wah, Andrew
Mr. Wu Kam On, Keith

NOMINATION COMMITTEE

Mr. Fan Chun Wah, Andrew *(Chairman)*
Mr. Wu Kam On, Keith
Mr. Pang Chung Fai, Benny

COMPLIANCE OFFICER

Mr. Wong Sai Chuen

COMPANY SECRETARY

Ms. Li Tsz Man (FCPA)

AUTHORISED REPRESENTATIVES

Mr. Wong Sai Chuen
Ms. Li Tsz Man

AUDITOR

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Bank of China (Hong Kong) Limited
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Tricor Investor Services Limited
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Hong Kong

**PRINCIPAL PLACE OF BUSINESS
AND HEADQUARTER IN HONG
KONG**

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CAYMAN ISLANDS**

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Grand Cayman KY1-1002
Cayman Islands

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG UNDER PART 16
OF THE COMPANIES ORDINANCE
(CAP. 622)**

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Hong Kong

STOCK CODE

8501

WEBSITE

www.sanbase.com.hk

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors (the “**Board**”) of Sanbase Corporation Limited (“**Sanbase Corporation**” or the “**Company**”) and its subsidiaries (collectively the “**Group**”), I am pleased to present you the Group’s unaudited consolidated results for the three months ended 30 June, 2018 (the “**Period**”).

Since our establishment in 2009, Sanbase Corporation has been committed to providing interior fit-out service solutions, including bare shell fit-out, restacking, reinstatement, churn work, maintenance, design and other services, to Grade A office clients in Hong Kong in order to meet their changing fit-out needs. Through our well-recognized operational philosophy and management model, we were honored to have participated in over 230 fit-out projects during the last decade, serving various prominent financial institutions, insurance companies and multi-national companies. In 2016, by virtue of our in-depth understanding of clients, together with our team’s excellent execution and management capabilities, we became the largest fit-out solutions provider for Grade A offices in Hong Kong; and in 2018, we achieved new heights through our successful listing on the GEM of the Stock Exchange. The successful listing represents an important milestone for the Group, as it has not only raised the Group’s brand recognition and competitive edge for tender submission, but also enhanced our financial position and expand our servicing team, enabling us to undertake more and larger projects.

Despite enjoying such success, we never intend to slow down. With the corporate values of “Strive for Betterment”, Sanbase Corporation has continued to stride forward, and within three months after listing, it was able to secure two projects, with each of the contract sum exceeding HK\$20 million. To further raise the bar, the Group has also secured three bare shell fit-out projects last month totaling approximately HK\$170 million. This represents approximately 40% of the Group’s total revenue in 2017/18 financial year, as the Group continues to show great progress in its business development.

Apart from its organic growth, the Group has also made progress on the acquisition front, as it has completed an acquisition in Hong Kong on 12 April 2018, as well as an acquisition in China on 8 May 2018, in an attempt to complete its one-stop value proposition, further strengthen our leading position in the interior fit-out market in Hong Kong, as well as extend our business footprint to the previously untapped China market. As the Guangdong-Hong Kong-Macau Greater Bay Area, an area with a GDP of over RMB10 trillion, continues its rapid development, its economic advancement, along with the needs of financial, legal, and other professional services, will together bring ample opportunities to high-end office interior fit-out services in the region. To capture such market opportunities, the Group will leverage the market position of its new acquisition in China, and aims to solidify its regional presence by providing one-stop, premium services including design, coordination, implementation, and quality control to its clients.

Looking into the future, the Group will actively synergize its clients, partners and human resources in both Hong Kong and China, and will treat the Greater Bay Area as the starting point for introducing high-quality fit-out services into China. We would also look into the possibility of cooperating with larger-scale clients. By providing one-stop fit-out solutions catering their changing needs, we hope to go hand in hand with our clients and thus, further establish ourselves in other areas in China. Currently, as the two target companies continue to integrate into the Group's business structure, we have high hopes in realizing a stronger synergistic effect in the near future.

Regarding the local market, with our growing market recognition, track record and execution capabilities, along with favourable demand-side policies such as "Moving out of Central" and "Green Office", we remain confident in the Group's future business development. We will maintain our focus in the Hong Kong market, and will strive to increase our market share with a particular emphasis on Grade A offices. We will also continue to actively explore suitable acquisitions, partnerships, and investment opportunities, in order to further solidify the Group's leading market position and to add further impetus to our business.

I wish to take this opportunity to thank all of our employees, partners, stakeholders and shareholders for their continuous contribution to the Group's business development. With your unequivocal support, the Group will strive to overcome future challenges, and will aim to offer high quality fit-out services to the industry while delivering greater and sustainable returns to our shareholders.

Chairman of the Board
Wong Sai Chuen

Hong Kong, 13 August 2018

HIGHLIGHTS

- During the three months ended 30 June 2018 (the “**Period**”), the Group achieved an increase in revenue of approximately 36.2% to approximately HK\$99.2 million from approximately HK\$72.8 million for the three months ended 30 June 2017 (the “**Previous Period**”). The growth was mainly attributable to (i) the acquisitions of the Core Group Holding Limited (the “**Core Group**”) and the Guangzhou Siwu Architectural Design Company Limited (the “**Guangzhou Siwu**”) in April 2018 and May 2018 respectively; and (ii) the increase in revenue from the provision of bare shell fit-out and reinstatement services. In line with the increase in revenue, the Group’s gross profit increased to approximately HK\$14.2 million for the Period from the approximately HK\$7.6 million for the Previous Period, representing an increase of approximately 86.8%.
- The Group’s profit attributable to owners of the Company increased of approximately 1,500% to approximately HK\$4.8 million for the Period from approximately HK\$0.3 million for the Previous Period.
- Basic earnings per share for the Period amounted to HK2.42 cents (Previous Period: HK0.23 cents).
- The Board does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

CONDENSED CONSOLIDATION STATEMENTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2018, together with the comparative audited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2018

	Note	Three months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Revenue	3	99,174	72,797
Cost of sales	4	(85,006)	(65,228)
Gross profit		14,168	7,569
Administrative expenses	4	(5,634)	(6,281)
Profit before income tax		8,534	1,288
Income tax expense	6	(1,835)	(944)
Profit for the period		6,699	344
Other comprehensive income, net of tax			
Item that may be reclassified to profit or loss:			
— Exchange differences on translating foreign operations		(114)	—
Total comprehensive income for the period		6,585	344
Attributable to:			
Owners of the Company		4,837	344
Non-controlling interests		1,748	—
		6,585	344
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in HK cents)	7	2.42	0.23

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 April 2017	390	—	—	10	34,749	35,149	—	35,149
Profit and total comprehensive income for the period (Audited)	—	—	—	—	344	344	—	344
Transactions with owners in their capacity as owners effect of reorganization (Note 1.2(iii)) (Audited)	—	—	—	(10)	—	(10)	—	(10)
Balance at 30 June 2017 (Audited)	<u>390</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,093</u>	<u>35,483</u>	<u>—</u>	<u>35,483</u>
Balance at 1 April 2018	1,553	68,632	—	—	41,660	111,845	—	111,845
Profit for the period (Unaudited)	—	—	—	—	4,916	4,916	1,783	6,699
Other comprehensive loss for the period: Exchange differences related to foreign operation (Unaudited)	—	—	(79)	—	—	(79)	(35)	(114)
Total comprehensive income (Unaudited)	—	—	(79)	—	4,916	4,837	1,748	6,585
Non-controlling interests on acquisition of subsidiaries (Unaudited)	—	—	—	—	—	—	2,942	2,942
Balance at 30 June 2018 (Unaudited)	<u>1,553</u>	<u>68,632</u>	<u>(79)</u>	<u>—</u>	<u>46,576</u>	<u>116,682</u>	<u>4,690</u>	<u>121,372</u>

1. CORPORATE INFORMATION AND REORGANIZATION

1.1 Corporation 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 China and Hong Kong. The ultimate holding company of the Company is Madison Square International Investment Limited ("**Madison Square**").

The ultimate controlling party of the Group is Mr. Wong Sai Chuen ("**Mr. Wong**" or the "**Controlling Shareholder**").

1.2 Reorganization, global offering and capitalization issue

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the principal activities of the Group were primarily operated by Sanbase Interior Contracting Limited ("**Sanbase Interior**"), a company controlled by the Controlling Shareholder while certain related business activities were carried out under a company incorporated in Hong Kong and wholly owned by the Controlling Shareholder, prior to 31 March 2016. Sanbase Interior assumed all these activities from such company with effect from 1 April 2016.

Pursuant to the reorganization (the "**Reorganization**"), Sanbase Interior was transferred to the Group. The Reorganization involved the followings:

- (i) On 23 March 2017, 1017 Company Limited (the "**BVI Company**") was incorporated in the British Virgin Islands (the "**BVI**") and 10,000 ordinary shares were issued and allotted to the Company on 24 March 2017.

1. CORPORATE INFORMATION AND REORGANIZATION (Continued)

1.2 Reorganization, global offering and capitalization issue (Continued)

- (ii) On 24 March 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. On the same day, 1 ordinary share was transferred from the initial subscriber to Madison Square, a company wholly owned by Mr. Wong. In addition, 37,499 and 12,500 ordinary shares were issued and allotted to Madison Square and J&J Partner Investment Group Limited, which is a company wholly owned by Mr. Wong Kin Kei, a director of the Company, respectively on the same day. The issued ordinary shares of Company are 50,000 ordinary shares of US\$1 each as at 24 March 2017.
- (iii) On 22 May 2017, the BVI Company acquired the total issued share capital of Sanbase Interior from its then shareholders for an aggregate consideration of HK\$10,000, since then Sanbase Interior has become a wholly owned subsidiary of the Group.
- (iv) On 22 May 2017, the Company completed the Reorganization.
- (v) On 8 December 2017, pursuant to the written resolutions passed by the shareholders of the Company, the issued ordinary shares were sub-divided from 50,000 shares of US\$1.0 each to 50,000,000 shares of US\$0.001 each.
- (vi) On 8 December 2017, pursuant to the written resolutions passed by the shareholders of the Company, conditional further to the result of the global offering, the directors were authorized to capitalize an amount of US\$100,000 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full 100,000,000 ordinary shares of US\$0.001 each for allotment and issue to the persons whose names appear on the register of members of the Company immediately before the completion of the global offering in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the then existing issued shares, and the Directors were authorized to give effect to such capitalization and distributions and the capitalization issue was approved.
- (vii) In connection with the listing ("**Listing**") of the Company's shares on the Stock Exchange, 50,000,000 shares of US\$0.001 each were issued at the offer price of HK\$1.56 to public investors with gross proceeds of approximately HK\$78,000,000. Total Listing expenses amounted to approximately HK\$21,188,000, of which approximately HK\$15,541,000 (approximately HK\$4,356,000 relating to the three months ended 30 June 2017) was expensed off to the profit or loss during the year ended 31 March 2018, the remaining of approximately HK\$5,297,000 was charged to equity. The Listing expenses of approximately HK\$2,908,000 was paid out of the gross proceeds of the Listing. Accordingly, the net proceeds of the Listing amounted to approximately HK\$75,092,000.

After the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months ended 30 June 2018 has been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of 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 consolidated financial statements for the three months ended 30 June 2017 and the year ended 31 March 2018 which have been prepared in accordance with the HKFRSs issued by the HKICPA, as set out in the prospectus of the Company dated 18 December 2017 and the annual report of the Company dated 25 June 2018 (the “**Annual Report**”), respectively.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in the Company’s consolidated financial statements for the three months ended 30 June 2017 and the year ended 31 March 2018.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards did not have material impact on the Group’s consolidated profit or loss for the three months ended 30 June 2018.

3. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June	
	2018	2017
	HK\$’000	<i>HK\$’000</i>
	(Unaudited)	(Audited)
Bare shell fit-out	69,633	56,796
Restacking	7,357	9,015
Reinstatement	14,567	1,933
Churn work	2,750	4,671
Maintenance, design and others	4,867	382
	99,174	72,797

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. REVENUE AND SEGMENT INFORMATION (Continued)

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months ended 30 June 2018 and 2017.

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 for the three months ended 30 June 2018 and 2017. 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 China in May 2018. Revenue generated from customers in China is also related to the provision of interior fit-out solutions. Accordingly, no operating and geographical segment information is presented.

4. EXPENSES BY NATURE

The Group's profit for each of the three months ended 30 June 2018 and 2017 are stated after charging the following cost of sales and administrative expenses:

	Three months ended 30 June	
	2018	2017
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Subcontracting charges	77,344	60,240
Employee benefit expense (<i>Notes 5 and 9</i>)	7,516	3,738
Cleaning expenses	1,544	1,418
Insurance expenses	71	318
Security expenses	488	215
Operating lease payments	485	175
Auditor's remuneration	115	—
Depreciation charge	194	11
Amortization of intangible assets	559	—
Legal and professional fees	1,463	69
Listing expenses charged to profit or loss	—	4,356
Other expenses	861	969
	90,640	71,509
Total cost of sales and administrative expenses	90,640	71,509

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. EMPLOYEE BENEFIT EXPENSES, INCLUDING BENEFITS AND INTERESTS OF DIRECTORS

	Three months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Audited)
Salaries, bonuses and allowances	7,300	3,638
Retirement benefit costs		
— Mandatory Provident Fund Scheme (<i>Note</i>)	216	100
	7,516	3,738

The Group has arranged for its employees to join the Mandatory Provident Fund Scheme (the “**MPF Scheme**”), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the entities of the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a maximum contribution of HK\$1,500 per month since June 2014 and thereafter contributions are voluntary.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the Periods. A subsidiary of the Group incorporated in the People’s Republic of China (“**PRC**”) is subjected to PRC corporate income tax rate of 25%. No overseas profits tax has been calculated as the Company and certain subsidiaries are incorporated in the Cayman Islands and the BVI respectively, and are exempted from tax. Income tax expense charged to the condensed consolidated profit or loss represents:

	Three months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Audited)
Current income tax	1,835	944

7. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

The 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 during the three months ended 30 June 2018 and 2017.

The weighted average number of ordinary shares in issue during the three months ended 30 June 2018 and 2017 used in the basic earnings per share calculation are determined on the assumption that 50,000,000 ordinary shares and 100,000,000 ordinary shares of US\$0.001 each as detailed in Notes 1.2(v) and 1.2(vi) had been in issue since 1 April 2016.

	Three months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Profit attributable to owners of the Company	4,837	344
Weighted average number of ordinary shares in issue ('000)	200,000	150,000
Basic earnings per ordinary share (HK cents)	2.42	0.23

(b) Diluted

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the respective Periods.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2018 and 2017.

9. 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 ended 30 June 2018 and 2017.

Benefits and interests of key management

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

	Three months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Audited)
Salaries, bonuses and allowances	2,241	1,055
Retirement benefit costs		
— Mandatory Provident Fund Scheme	16	20
	2,257	1,075

10. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	As at 30 June	As at 31 March
	2018 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Surety bonds	4,978	4,978

As at 30 June 2018, the Group provided guarantees of surety bonds in respect of 3 (31 March 2018: 3) construction contracts of the Group in its ordinary course of business. Deposits of approximately HK\$1,130,000 to guarantee the surety bonds in respect of 1 construction contract as at 30 June 2018 and 31 March 2018. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

BUSINESS REVIEW AND OUTLOOK

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. 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 labor, providing expertise such as controlling the quality aspects of the projects and carrying out corresponding project management.

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

During the three months ended 30 June 2018, the Group achieved an increase in revenue of approximately 36.2% to approximately HK\$99.2 million from approximately HK\$72.8 million for the three months ended 30 June 2017. The growth was mainly attributable to (i) the acquisitions of the Core Group and the Guangzhou Siwu in April 2018 and May 2018 respectively; (ii) the increase in revenue from the business of bare shell fit-out and reinstatement. In line with the increase in revenue, the Group's gross profit increased to approximately HK\$14.2 million for the Period from the approximately HK\$7.6 million for the Previous Period, representing an increase of approximately 86.8%.

The Group's profit attributable to owners of the Company increased of approximately 1,500% to approximately HK\$4.8 million for the Period from approximately HK\$0.3 million for the Previous Period.

Looking forward, the Group is positive about the prospects of the interior fit-out market and will continue to focus on our core business. In order to maximize the long term returns of our shareholders, the Group will devote more resources towards the development of our interior fit-out business for commercial premises and pursue strategic partnership with or investment in peer interior fit-out solution providers or other industry players to enhance our market share.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) churn work; and (v) maintenance, design and others. During the Period, the Group's revenue increased by approximately 36.2% to approximately HK\$99.2 million (Previous Period: HK\$72.8 million). The increase is mainly attributable to (i) the acquisitions of the Core Group and the Guangzhou Siwu during the Period; and (ii) the increase in revenue from the provision of bare shell fit-out and reinstatement services.

The following table sets forth a breakdown of the Group's revenue by project types for the three months ended 30 June 2018 and 2017:

	Three months ended 30 June			
	2018		2017	
Project type	HK\$'000	%	HK\$'000	%
Bare shell fit-out	69,633	70.2	56,796	78.0
Restacking	7,357	7.4	9,015	12.4
Reinstatement	14,567	14.7	1,933	2.7
Churn work	2,750	2.8	4,671	6.4
Maintenance, design and others*	4,867	4.9	382	0.5
Total	99,174	100.0	72,797	100.0

* We provide maintenance, design, Mechanical, Electrical and Plumbing (the "MEP") consultancy service and project management service.

As shown in above table, our bare shell fit-out projects contributed to approximately 70.2% and 78.0% of the Group's total revenue for the three months ended 30 June 2018 and 2017 respectively. Revenue from bare shell fit-out projects increased to approximately HK\$69.6 million for the three months ended 30 June 2018 from approximately HK\$56.8 million for the three months ended 30 June 2017, representing an increase of approximately 22.6%. The increase in revenue from bare shell fit-out projects was mainly driven by 3 major bare-shell fit-out projects, each accounted for revenue over HK\$10.0 million, for the three months ended 30 June 2018.

From 1 July 2018 and up to the date of this report, we were newly awarded a total of 6 bare shell fit-out projects with a total project sum of approximately HK\$180.0 million.

Cost of Sales and Direct Margin

The Group's cost of sales mainly comprised subcontracting charges and employee benefit expenses. The increase in cost of sales from HK\$65.2 million for the three months ended 30 June 2017 to HK\$85.0 million for the three months ended 30 June 2018 was generally in line with the rise in revenue for the Period.

Defined as revenue less subcontracting costs, 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 three months ended 30 June 2018 and 2017:

	Three months ended 30 June			
	2018		2017	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Project type				
Bare shell fit-out	11,828	17.0	6,053	10.7
Restacking	1,078	14.7	2,236	24.8
Reinstatement	2,405	16.5	154	8.0
Churn work	291	10.6	1,578	33.8
Maintenance, design and others	4,169	85.7	113	29.6
Total	19,771		10,134	

The Group's overall direct margin increased to approximately HK\$19.8 million for the three months ended 30 June 2018 from approximately HK\$10.1 million for the three month ended 30 June 2017. The remarkable increase in the direct margin was primarily attributable to the acquisitions of the Core Group and the Guangzhou Siwu during the Period and the increase of direct margin for bare shell fit-out and reinstatement projects to approximately HK\$11.8 million and HK\$2.4 million respectively for the Period (Previous Period: HK\$6.1 million and HK\$0.2 million respectively). The increase in direct margin for bare shell fit-out and reinstatement projects was mainly driven by the larger scale of projects awarded during the Period.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$5.6 million and approximately HK\$6.3 million for the three months ended 30 June 2018 and 2017 respectively. Listing expenses charged to profit or loss of approximately HK\$4.4 million was included in the Previous Period. Excluding the amount of Listing expenses, an increase of approximately 195% during the Period in the administrative expenses was primarily attributable to (i) an increase of HK\$1.6 million in staff costs due to our acquisitions of the Core Group and the Guangzhou Siwu, and to a lesser extent, an increase in the average salaries of our employees; (ii) an increase of HK\$1.4 million in professional service fees mainly arising after the Listing and acquisitions of subsidiaries; (iii) an increase of HK\$0.3 million in the office expenses and rental expenses primarily arising from an increase in our office floor area as a result of our acquisitions of the Core Group and the Guangzhou Siwu; and (iv) an increase of HK\$0.6 million in the amortization of intangible assets as a result of the amortization of intangible assets of the Core Group and the Guangzhou Siwu.

Income Tax Expense

Income tax of the Group for the Period was approximately HK\$1.8 million (Previous Period: HK\$0.9 million) and such growth was consistent with the increase in assessable profits during the Period as compared to the Previous Period. Listing expenses incurred during the Previous Period were not deductible for tax purpose.

Profit for the Period

Profit for the Group increased to approximately HK\$6.7 million for the Period from approximately HK\$0.3 million for the Previous Period, mainly due to the acquisitions of the Core Group and the Guangzhou Siwu during the period and the listing expenses incurred during the Previous Period.

Profit attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately HK\$4.8 million, representing an increase of approximately HK\$4.5 million, as compared with approximately HK\$0.3 million for the Previous Period.

Dividend

The Board does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the three months ended 30 June 2018, the Group financed its operation by its internal resources and granted bank facility. As at 30 June 2018, the Group had net current assets of approximately HK\$106.7 million (31 March 2018: HK\$107.3 million), including cash and cash equivalents balances of approximately HK\$69.9 million (31 March 2018: HK\$58.8 million) mainly denominated in Hong Kong dollars. As at 30 June 2018, the Group had an unutilized bank facility of HK\$17.2 million (31 March 2018: HK\$17.2 million). The granted bank facility was secured by personal guarantee of Controlling Shareholder, Mr. Wong Sai Chuen, our Chairman, Chief Executive Officer and Executive Director. The personal guarantee provided by Mr. Wong was released following to the listing of the Group on 4 January 2018 (the “**Listing Date**”) and the Group provided corporate guarantee as security.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.9 times as at 30 June 2018 (31 March 2018: 2.3 times). The decrease was mainly due to the increase in the trade and retention receivables of approximately HK\$37.8 million, increase in trade payable of approximately HK\$21.8 million, increase in accrual and other payables of approximately HK\$10.2 million and increase in amount due to customers for contract work of approximately HK\$6.7 million. As at 30 June 2018, the Group had no interest-bearing bank and other borrowings. Accordingly, no gearing ratio is presented (31 March 2018: Nil).

The shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange on the Listing Date subsequently by way of placing and public offering and 50,000,000 new shares offered by the Company at a listing price of HK\$1.56 per share. There has been no change in capital structure of the Company as at 30 June 2018. The equity attributable to owners of the Company amounted to approximately HK\$116.7 million as at 30 June 2018 (31 March 2018: HK\$111.8 million).

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

PLEDGE OF ASSETS

As of 30 June 2018, the Group did not have any charges of its assets (31 March 2018: Nil).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had no capital commitment in relation to acquisition of subsidiaries (31 March 2018: HK\$11.2 million).

HUMAN RESOURCES MANAGEMENT

As at 30 June 2018, the Group had a total of 62 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.

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

The Group had completed the acquisitions of subsidiaries of the Core Group and the Guangzhou Siwu on 12 April 2018 and 8 May 2018 respectively. After the completion, the Group is interested in 60% and 65% of the total issued capital of the Core Group and the Guangzhou Siwu respectively.

CONTINGENT LIABILITIES

As at 30 June 2018 and 31 March 2018, the Group provided guarantees of surety bonds of approximately HK\$5.0 million in respect of 3 construction contracts of the Group in its ordinary course of business during both Periods. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND INTERESTS IN ASSOCIATED CORPORATION

As at 30 June 2018, the interests and short positions of the Directors and the 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 the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision 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 as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(A) Long Position in the Company's Shares

Name of Director/ chief executive	Capacity/ nature of interest	Number of shares held/ interested in ^(Note 1)	Approximate percentage of issued share capital
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%
Mr. Wong Sai Chuen	Interest in a controlled corporation	112,500,000 ^(Note 4)	56.25%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. All interests stated are long position.
2. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in the 112,500,000 Shares held by him, through his controlled corporation, Madison Square International Investment Limited, pursuant to the SFO.
3. 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 the SFO.
4. 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 is deemed to be interested under 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 shares held/ interested	Percentage of shareholding
Ms. Hui Man Yee, Maggie ^(Note 1)	Madison Square International Investment Limited ^(Note 2)	Interest of spouse	37,500	100%
Mr. Wong Kin Kei	J&J Partner Investment Group Limited ^(Note 3)	Beneficial owner	12,500	100%
Mr. Wong Sai Chuen ^(Note 1)	Madison Square International Investment Limited ^(Note 2)	Beneficial owner	37,500	100%

Notes:

1. Ms. Hui Man Yee, Maggie is the wife of Mr. Wong Sai Chuen. Therefore, under the SFO, Ms. Hui Man Yee, Maggie is deemed to be interested in Mr. Wong Sai Chuen's interest in Madison Square International Investment Limited.
2. Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation." As at the Listing Date, Madison Square International Investment Limited held 56.25% of our issued share capital and thus was our associated corporation.
3. Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation." As at the Listing Date, 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 30 June 2018, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2018, so far as known to the Directors, the following persons/entities had 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 capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/ nature of interest	Number of shares held/ interested in ^(Note 1)	Percentage of shareholding
Madison Square International Investment Limited ^(Note 2)	Beneficial owner	112,500,000	56.25%
Mr. Wong Sai Chuen ^(Note 2)	Interest in a controlled corporation	112,500,000	56.25%
Ms. Hui Man Yee, Maggie ^(Note 3)	Interest of spouse	112,500,000	56.25%
J&J Partner Investment Group Limited ^(Note 4)	Beneficial owner	37,500,000	18.75%
Mr. Wong Kin Kei ^(Note 4)	Interest in a controlled corporation	37,500,000	18.75%
Ms. Ho Sin Ying ^(Note 5)	Interest of spouse	37,500,000	18.75%

Notes:

1. All interests stated are long position.
2. 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 is deemed to be interested under the SFO.
3. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in the 112,500,000 Shares held by him, through his controlled corporation, Madison Square International Investment Limited, pursuant to the SFO.
4. 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 the SFO.
5. Ms. Ho Sin Ying, the spouse of Mr. Wong Kin Kei, is deemed to be interested in the 37,500,000 Shares held by him, through his controlled corporation, J&J Partner Investment Group Limited, pursuant to the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests in Shares of the Company and Interests in Associated Corporation", at no time from the Listing to the date hereof was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and Controlling Shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) have any interest in a business that competes or may compete with the business of the Group during the 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 report.

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.

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

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.

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 shareholders' interests. To the best knowledge of the Board, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules for the Period.

Under code provision A.2.1 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 Sai Chuen, holds both positions. Mr. Wong has been primarily responsible for overseeing our Group's general management and business development of our Group and for formulating business strategies and policies for our business management and operations since he founded our Group in 2009. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider it is most suitable for Mr. Wong to hold both the positions of chief executive officer and the chairman of the Board and the existing arrangements are beneficial and in the interests of our Company and our shareholders as a whole.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, TC Capital International Limited (“**TC Capital**”), except for the compliance adviser's agreement entered into between the Company and TC Capital on 6 July 2017, neither TC Capital nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2018.

PUBLICATION OF THE FIRST QUARTERLY REPORT

The 2018 first quarterly report of the Company containing all the information required by GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.sanbase.com.hk and the “HKExnews” website of the Stock Exchange at www.hkexnews.hk.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the three months ended 30 June 2018, and is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.