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SANBASE CORPORATION LIMITED
莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Sanbase Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") 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.*

ANNUAL RESULTS

The board of Directors of the Company (the "**Board**") announces the annual results of the Group for the year ended 31 March 2019 together with the comparative figures for the year ended 31 March 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	3	**650,455**	376,208
Cost of sales	4	**(579,608)**	(336,872)
Gross profit		**70,847**	39,336
Gain on disposal of a financial asset through profit or loss		**—**	300
Administrative expenses	4	**(29,811)**	(28,111)
Impairment losses on financial assets		**(3,326)**	—
Operating profit		**37,710**	11,525
Finance income		**60**	97
Finance costs		**(376)**	(160)
Finance costs — net	5	**(316)**	(63)
Profit before income tax		**37,394**	11,462
Income tax expense	6	**(7,076)**	(4,551)
Profit for the year		**30,318**	6,911

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive income			
Exchange differences on translation of foreign operations		**(52)**	—
Other comprehensive income for the year, net of tax		**(52)**	—
Total comprehensive income for the year		**30,266**	6,911
Profit for the year attributable to:			
Owners of the Company		**28,116**	6,911
Non-controlling interests		**2,202**	—
		30,318	6,911
Total comprehensive income for the year attributable to:			
Owners of the Company		**28,070**	6,911
Non-controlling interests		**2,196**	—
		30,266	6,911
Basic and diluted earnings per share attributable to the owners of the Company (expressed in HK cents)	8	**14.10**	4.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,783**	2,238
Intangible assets		**9,927**	—
Financial asset at fair value through profit or loss		**7,831**	—
Deposits and prepayments		**1,400**	2,272
Deferred tax assets		**515**	—
		22,456	4,510
Current assets			
Trade and retention receivables	9	**122,136**	67,076
Amounts due from shareholders		**—**	383
Contract assets		**119,842**	—
Amounts due from customers for contract work		**—**	50,814
Deposits, other receivables and prepayments		**11,645**	9,858
Tax recoverables		**—**	191
Cash and cash equivalents		**106,009**	58,763
		359,632	187,085
Total assets		**382,088**	191,595
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**1,553**	1,553
Shares held under share award scheme		**(2,998)**	—
Share premium		**63,832**	68,632
Exchange reserve		**(53)**	—
Retained earnings		**69,524**	41,660
		131,858	111,845
Non-controlling interests		**4,946**	—
Total equity		**136,804**	111,845

	Note	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**66**	—
Current liabilities			
Trade payables	10	**203,641**	76,987
Accruals and other payables		**6,638**	2,238
Contract liabilities		**18,729**	—
Amounts due to customers for contract work		**—**	525
Bank borrowing		**12,800**	—
Current income tax liabilities		**3,410**	—
		245,218	79,750
Total liabilities		**245,284**	79,750
Total equity and liabilities		**382,088**	191,595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Shares held under share award scheme *HK$'000*	Other reserve *HK$'000* *(Note)*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2018 as originally presented	1,553	68,632	–	–	–	41,660	111,845	–	111,845
Change in accounting policy (note 2(a)(ii))	–	–	–	–	–	(252)	(252)	–	(252)
Restated total equity as at 1 April 2018	1,553	68,632	–	–	–	41,408	111,593	–	111,593
Profit for the year	–	–	–	–	–	28,116	28,116	2,202	30,318
Other comprehensive income									
Currency translation difference	–	–	–	–	(46)	–	(46)	(6)	(52)
Total comprehensive income for the year	–	–	–	–	(46)	28,116	28,070	2,196	30,266
Transactions with owners in their capacity as owners									
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	–	2,138	2,138
Capital injection by Non-controlling interests	–	–	–	–	(7)	–	(7)	612	605
Acquisition of shares under share award scheme	–	–	(2,998)	–	–	–	(2,998)	–	(2,998)
Final dividend paid for the year ended 31 March 2018	–	(4,800)	–	–	–	–	(4,800)	–	(4,800)
Balance at 31 March 2019	1,553	63,832	(2,998)	–	(53)	69,524	131,858	4,946	136,804

	Share capital HK$'000	Share premium HK$'000	Shares held under share award scheme HK$'000	Other reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2017	390	—	—	10	—	34,749	35,149	—	35,149
Profit and total comprehensive income for the year	—	—	—	—	—	6,911	6,911	—	6,911
Transactions with owners in their capacity as owners									
Effect of Reorganization	—	—	—	(10)	—	—	(10)	—	(10)
Shares issued under share offer	388	77,612	—	—	—	—	78,000	—	78,000
Issuance of shares upon capitalization	775	(775)	—	—	—	—	—	—	—
Listing expenses charged to share premium	—	(8,205)	—	—	—	—	(8,205)	—	(8,205)
Balance at 31 March 2018	1,553	68,632	—	—	—	41,660	111,845	—	111,845

Note:

As at 1 April 2017, it represented the combined share capital of operating entities comprising the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

(i) Compliance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies ordinance ("**HKCO**") Cap.622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 April 2018:

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15 which are disclosed in note 2. Other amendments and interpretations listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published but are not mandatory for 31 March 2019 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Annual Improvement project	Annual improvements 2015-2017 cycle (amendments)	1 April 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 April 2019
HKFRS 16	Leases	1 April 2019
HK(IFRIC)23	Uncertainty over income tax treatments	1 April 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 April 2019
Amendments to HKAS 28	Investment in associates and joint ventures	1 April 2019
Amendments to HKAS 1 and HKAS 8	Definition of material	1 April 2020
Amendments to HKFRS 3	Definition of business	1 April 2020
Conceptual Framework for Financial Reporting 2018	Raised conceptual framework for financial reporting	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will apply the above new standards, amendments to standards and interpretation when they become effective.

The Group has commenced the assessment of the impact of HKFRS 16 as set out below.

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases.

Based on management's initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in an increase in both assets and liabilities in the consolidated statement of financial position. The adoption will also front-load the expense recognition in the consolidated profit or loss over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expenses under existing standard.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior years.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The adjustments are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognized in the opening retained earnings on 1 April 2018.

The following table show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 March 2018 as originally presented**	**Effects of adoption of HKFRS 9**	**Effects of adoption of HKFRS 15**	**1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Trade receivables	44,605	(216)	—	44,389
Contract assets	—	(36)	50,814	50,778
Amount due from customer for contract work	50,814	—	(50,814)	—
Current liabilities				
Contract liabilities	—	—	525	525
Amount due to customer for contract work	525	—	(525)	—
Retained earnings	41,660	(252)	—	41,408

2(a) HKFRS 9 — Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies.

(i) Classification and measurement

On 1 April 2018 (the date of initial adoption of HKFRS 9), the Group's financial assets were carried at amortized cost. There were no material changes regarding classification and measurement as the relevant accounting policies for financial assets carried at amortized cost have not been changed significantly. Therefore, there was no reclassification of financial assets on 1 April 2018 as a result of change in accounting policies.

(ii) Impairment of financial assets

The Group has the following financial assets carried at amortized costs that are subject to HKFRS 9's new expected credit loss ("**ECL**") model:

1. Trade and retention receivables;

2. Contract assets;

3. Other receivables; and

4. Cash and cash equivalents.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's opening retained earnings and equity is disclosed in the consolidated statement of changes in equity was immaterial.

Contract assets and trade and retention receivables

The Group applies the simplified approach to measure the expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and trade and retention receivables. This resulted in an increase of loss allowance by approximately HK$36,000 and approximately HK$216,000 as at 1 April 2018 for contract assets and trade and retention receivables respectively.

While other receivables and cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss, if any, was immaterial.

2(b) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("**HKAS 18**") and HKAS 11 Construction contracts ("**HKAS 11**") that relate to the recognition, classification and measurement of revenue and costs.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognize the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated. The reclassifications are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognized in the opening of the consolidated statement of financial position on 1 April 2018.

Reclassifications were made as at 1 April 2018 to reflect the terminologies used under HKFRS 15.

— Contract assets recognized in relation to service contracts were previously presented as amounts due from customers for contract work

— Contract liabilities recognized in relation to service contracts were previously presented as amounts due to customers for contract work

Except for the above reclassification, management concluded that the adoption of HKFRS 15 does not have material impact to the results and financial position of the Group.

3 REVENUE AND SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-maker ("**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 year ended 31 March 2019 and 2018. 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 People's Republic of China ("**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 revenue, profit or loss and total assets of the PRC operation is less than 10% of the respective attributes of the Group. Accordingly, no separate operating and geographical segment information is presented.

The Group's revenue from its major services during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Bare shell fit-out	**557,268**	305,978
Restacking	**37,598**	37,064
Reinstatement	**34,651**	19,903
Design	**9,563**	—
Churn work	**9,587**	10,421
Maintenance and others	**1,788**	2,842
	650,455	376,208

The Group's five largest customers accounted for approximately 50% (2018: 44%) of the Group's total revenue for the year ended 31 March 2019.

Revenue generated from bare shell fit-out, restacking and reinstatement services were recognized over time while revenue generated from churn work, design, maintenance and other services were recognized at a point in time for the year ended 31 March 2019.

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**102,328**	N/A
Customer B	**67,070**	N/A
Customer C	**N/A**	59,039

4 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analyzed as follows:

	2019	2018
	HK$'000	*HK$'000*
Subcontracting charges	**537,290**	314,372
Employee benefit expense	**39,162**	17,088
Cleaning expenses	**8,148**	6,707
Insurance expenses	**3,209**	2,321
Provision for doubtful debt *(Note)*	**—**	350
Security expenses	**800**	416
Operating lease payments	**2,237**	898
Auditor's remuneration		
— Audit service	**1,200**	1,030
— Non-audit service	**345**	100
Depreciation charge	**891**	214
Amortization charge	**2,487**	—
Legal and professional fees	**4,814**	568
Listing expenses	**—**	15,541
Other expenses	**8,836**	5,378
Total cost of sales and administrative expenses	**609,419**	364,983
Representing:		
Cost of sales	**579,608**	336,872
Administrative expenses	**29,811**	28,111
	609,419	364,983

Note:

With effect from 1 April 2018, loss allowance on contract assets, trade and other receivables will be separately disclosed as "impairment losses on financial assets" in the consolidated profit or loss.

5 FINANCE COSTS — NET

	2019	2018
	HK$'000	*HK$'000*
Interest income from bank deposits	**60**	97
Bank interest expense on bank borrowings	**(127)**	(160)
Unwinding of interests on contingent consideration payable	**(249)**	—
	(316)	(63)

6 INCOME TAX EXPENSE

During the year ended 31 March 2019, the Group was subject to Hong Kong profits tax and PRC enterprise income tax. Hong Kong profit tax has been provided for the rate of 8.25% for the first HK$2,000,000 estimated assessable profits and 16.5% for estimated assessable profit above HK$2,000,000 for the group entity qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017. For group entities not qualifying for the two tiered profits tax rates regime, Hong Kong profits tax has been provided for a flat rate of 16.5%. PRC enterprise income tax has been provided for at the rate of 25% (2018: Nil) on the estimated assessable profits for the year. No overseas profit 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 (2018: Nil).

For the year ended 31 March 2018, Hong Kong profits tax was calculated at a single flat rate of 16.5% of the estimated assessable profits.

Income tax expense charged to the consolidated profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
— Current year	**7,975**	4,574
— Under/(over)-provision for prior years	**43**	(23)
Deferred tax	**(942)**	—
Income tax expense	**7,076**	4,551

7 DIVIDEND

A final dividend in respect of the year ended 31 March 2019 of HK3.1 cents per share, totaling HK$6,200,000 is to be proposed at the upcoming annual general meetings. These consolidated financial statements do not affect this dividend payable.

	2019	2018
	HK$'000	*HK$'000*
Proposed final dividend of HK3.1 cents (2018: HK2.4 cents) per ordinary share	**6,200**	4,800

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding less shares held under share award scheme during the financial year.

	2019	2018
Profit for the year attributable to owners of the Company *(HK$'000)*	**28,116**	6,911
Weighted average number of ordinary shares outstanding less shares held under share award scheme	**199,448,537**	161,917,808
Earnings per share *(expressed in HK cents)*	**14.10**	4.27

The weighted average number of ordinary shares in issue during the year ended 31 March 2018 used in the basic earnings per share calculation are determined on the assumption that 150,000,000 ordinary shares of US$0.001 each had been in issue since 1 April 2017.

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential shares.

9 TRADE AND RETENTION RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**118,139**	44,705
Retention receivables	**6,191**	22,471
Trade and retention receivables	**124,330**	67,176
Less: Loss allowance	**(2,194)**	(100)
Trade and retention receivables — net	**122,136**	67,076

The maximum exposure to credit risk as at 31 March 2019 and 2018 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade and retention receivables approximated their fair values.

The trade and retention receivables were mainly denominated in HK$.

The credit terms granted to its customers were generally 30 days from the invoice date except for the amount relating to retention money which is payable after 1 year from the date of completion of the interior renovation works. As at 31 March 2019 and 2018, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**79,950**	12,398
31 to 60 days	**17,781**	2,230
61 to 90 days	**4,821**	9,388
91 to 180 days	**9,326**	5,188
Over 180 days	**6,261**	15,501
	118,139	44,705

As at 31 March 2019 and 2018, the ageing analysis of the retention receivables based on the invoice date and contract are as follows:

	2019	2018
	HK$'000	*HK$'000*
To be invoiced/within 30 days	**1,245**	21,207
31 to 60 days	**—**	—
61 to 90 days	**—**	415
91 to 180 days	**—**	849
Over 180 days	**4,946**	—
	6,191	22,471

The creation and release of provision for impairment of trade and retention receivables has been included in the consolidated profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

10 TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**203,641**	76,987

As at 31 March, the aging analysis of the trade payable based on invoice date was as follows:

	2019	2018
	HK$'000	*HK$'000*
To be invoiced/within 30 days	**151,250**	37,866
31 to 60 days	**6,060**	9,407
61 to 90 days	**9,682**	8,248
91 to 180 days	**18,299**	5,724
Over 180 days	**18,350**	15,742
	203,641	76,987

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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 are undertaken in 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) design projects; (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 service, project management services and mechanical, electrical and plumbing ("**MEP**") consultancy services.

During the year ended 31 March 2019, the Group achieved an increase in revenue of approximately 72.9% to approximately HK$650.5 million from approximately HK$376.2 million for the year ended 31 March 2018. The growth was mainly driven by the increase in number of projects from 152 in 2018 to 177 in 2019 and several large scale projects with large contract sum being granted during the year. In line with the increase in revenue, the Group's gross profit increased to approximately HK$70.8 million for the year ended 31 March 2019 from the approximately HK$39.3 million for the year ended 31 March 2018, representing an increase of approximately 80.2%.

The Group's profit for the year attributable to owners of the Company increased by approximately 307.2% to approximately HK$28.1 million for the year ended 31 March 2019 from approximately HK$6.9 million for the year ended 31 March 2018. The increase in profit for the year attributable to owners of the Company was mainly due to (i) the increase in revenue and profit mainly contributed by bare shell fit-out projects, in particular, the Group was awarded a total number of 81 bare shell fit-out projects for the year ended 31 March 2019 as compared to 44 bare shell fit-out projects for the year ended 31 March 2018 with one project having its revenue of over HK$100 million; (ii) the absence of the non-recurring listing expenses of approximately HK$15.5 million; and (iii) the increase in revenue and profit contributed by Core Group Holding Limited ("**Core Group**") and its subsidiary, as a result of the acquisition of 60% of the issued share capital of Core Group which was completed on 12 April 2018.

FUTURE PROSPECTS

During the year ended 31 March 2019, the Group achieved a significant growth in both the revenue and gross profit of approximately 72.9% and approximately 80.2% respectively. As mentioned above, such growth was mainly driven by the large increase in number of projects and several large scale projects being granted during the year. Looking forward to 2020, we remain optimistic in the demand of commercial fit-out services in Hong Kong despite a perceived weakness in the commercial property market. Inelastic by nature, clients would require fit-out services even if financial circumstances are not favorable, such as reinstatement services when returning the original space, design and bare shell fit-out services when relocating to new offices, or restacking services when re-fitting the existing structure to fit current needs. With our comprehensive services, we will be able to serve our clients along every step of the way, effectively offering a downside protection to our businesses. The Group is looking forward to achieving another year of profitability for 2020.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn work; and (vi) maintenance and others. During the year ended 31 March 2019, the Group's revenue increased by approximately 72.9% to approximately HK$650.5 million (2018: HK$376.2 million). The increase is mainly attributable to (i) the acquisitions of the Core Group and the Siwu Architectural (Guangzhou) Limited (the "**Siwu Guangzhou**") completed in April 2018 and May 2018 respectively (the "**Acquisitions**"); and (ii) the increase in revenue from the provision of services including bare shell fit-out and reinstatement.

The following table sets forth a breakdown of the Group's revenue by project types for the year ended 31 March 2019 and 2018:

	The year ended 31 March			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Project type				
Bare shell fit-out	**557,268**	**85.7**	305,978	81.3
Restacking	**37,598**	**5.8**	37,064	9.9
Reinstatement	**34,651**	**5.3**	19,903	5.3
Design	**9,563**	**1.5**	—	—
Churn work	**9,587**	**1.5**	10,421	2.8
Maintenance and others	**1,788**	**0.2**	2,842	0.7
Total	**650,455**	**100.0**	376,208	100.0

As shown in above table, our bare shell fit-out projects contributed to approximately 85.7% and 81.3% of the Group's total revenue for the year ended 31 March 2019 and 2018 respectively. Revenue from bare shell fit-out projects increased to approximately HK$557.3 million for the year ended 31 March 2019 from approximately HK$306.0 million for the year ended 31 March 2018, representing an increase of approximately 82.1%. The increase in revenue from bare shell fit-out projects was mainly driven by the increase in number of fit-out projects from 44 in 2018 to 81 in 2019 and several large-scale projects with large contract sum being granted during the year.

From 1 April 2019 and up to the date of this announcement, we were newly awarded a total of 5 bare shell fit-out projects and 5 restacking projects with a total project sum of approximately HK$33.3 million and HK$12.0 million respectively.

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 service from HK$336.9 million for the year ended 31 March 2018 to HK$579.6 million for the year ended 31 March 2019 was generally in line with the rise in revenue for the year.

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 year ended 31 March 2019 and 2018:

	The year ended 31 March			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Project type				
Bare shell fit-out	**73,742**	**13.2**	36,868	12.0
Restacking	**6,892**	**18.3**	7,678	20.7
Reinstatement	**4,943**	**14.3**	2,309	11.6
Design	**8,242**	**86.2**	—	—
Churn work	**1,659**	**17.3**	2,038	19.6
Maintenance and others	**479**	**26.8**	602	21.2
Total	**95,957**	**14.8**	49,495	13.2

The Group's overall direct margin increased to approximately HK$96.0 million for the year ended 31 March 2019 from approximately HK$49.5 million for the year ended 31 March 2018. The remarkable increase in the direct margin was primarily attributable to the Acquisitions during the year and the increase of direct margin for bare shell fit-out and reinstatement to approximately HK$73.7 million and HK$4.9 million respectively for the year (2018: HK$36.9 million and HK$2.3 million respectively). The increase in direct margin for bare shell fit-out and reinstatement was mainly driven by the larger scale of projects awarded during the year.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$29.8 million and approximately HK$28.1 million for the year ended 31 March 2019 and 2018 respectively. Listing expenses charged to profit or loss of approximately HK$15.5 million was included in the year ended 31 March 2018. Excluding the amount of Listing expenses, an increase of approximately 136.5% was primarily attributable to (i) an increase of HK$7.6 million in staff costs due to the salaries increment of HK$5.0 million and the increase of HK$2.6 million from our Acquisitions during the year; (ii) an increase of HK$4.1 million in professional service fees mainly arising after the Listing and the Acquisitions; (iii) an increase of HK$1.0 million in the office expenses and rental expenses primarily arising from an increase in our office floor area as a result of our Acquisitions during the year; and (iv) an increase of HK$2.5 million in the amortization of intangible assets as a result of the increase of intangible assets held by the Group due to the Acquisitions.

Income Tax Expense

Income tax expense of the Group for the year ended 31 March 2019 was approximately HK$7.1 million (2018: HK$4.6 million).

Profit for the Year

Profit of the Group increased to approximately HK$30.3 million for the year ended 31 March 2019 from approximately HK$6.9 million for the year ended 31 March 2018, mainly due to growth of the principal subsidiary's business, the absence of the non-recurring listing expenses incurred and the Acquisitions during the year ended 31 March 2019.

Dividend

The Board recommended the payment of final dividend for the year ended 31 March 2019 at HK3.1 cents per share (2018: HK2.4 cents per share) which is subject to the approval by the shareholders at the AGM. During the year ended 31 March 2019, there was no arrangement under which any Shareholder waived or agreed to waive any dividend.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the year ended 31 March 2019, the Group financed its operation by its internal resources and granted bank facility. As at 31 March 2019, the Group had net current assets of approximately HK$114.4 million (2018: HK$107.3 million), including cash and cash equivalents balances of approximately HK$106.0 million (2018: HK$58.8 million) mainly denominated in Hong Kong dollars. As at 31 March 2019, the Group had an unutilized bank facility of HK$48.4 million (2018: HK$17.2 million). The granted bank facility was secured by corporate guarantee of the Group.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.5 times as at 31 March 2019 (2018: 2.3 times). The decrease was mainly due to the net effect of the significant increase in the trade and retention receivables and contract assets/ amounts due from customers for contract work of approximately HK$55.1 million and approximately HK$69.0 million respectively, the increase in cash and cash equivalent balance of approximately HK$47.2 million, the remarkable increase in trade payables and contract liabilities/amounts due to customers for contract work of approximately HK$126.7 million and approximately HK$18.2 million respectively, and the increase in a bank loan of approximately HK$12.8 million. The gearing ratio of the Group as at 31 March 2019 was 9.4% (31 March 2018: Nil) as the Group utilized the granted bank facility to finance the startup cost of new projects awarded. The gearing ratio is calculated as total debt divided by total equity as at the respective year end.

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange (the "**Listing**") on 4 January 2018 ("the **Listing Date**"), subsequently by way of placing and public offering (the "**Global 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 31 March 2019. The equity attributable to owners of the Company amounted to approximately HK$131.9 million as at 31 March 2019 (2018: HK$111.8 million).

The Group has no material exposure to fluctuations in exchange rates and any related hedges.

FUNDING AND TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

PLEDGE OF ASSETS

As of 31 March 2019, the Group did not have any charges of its assets (2018: Nil).

CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any material capital commitment in relation to the Acquisitions (2018: HK$11.2 million).

HUMAN RESOURCES MANAGEMENT

As at 31 March 2019, the Group had a total of 80 employees (2018: 36 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.

ACQUISITIONS OF SUBSIDIARIES

Acquisition of the Core Group

References are made to the announcements of the Company dated 27 February 2018, 23 March 2018 and 12 April 2018 respectively in relation to, amongst other things, the acquisition of the Core Group. On 12 April 2018, the 1017 Company Limited, a wholly-owned subsidiary of the Company, has completed the acquisition of 60% of the issued shares in the Core Group, a service provider of interior design and interior fit-out solutions for commercial premises in Hong Kong, for a consideration of HK$9,771,000.

The contingent consideration arrangement requires the Group to pay the former owner of the Core Group 40% of the total consideration amounted to HK$3,759,000 within ten business day upon receiving the result of the operating subsidiary of the Core Group for the year ending 31 December 2018. As at 31 March 2019, such consideration has not been paid as the audited accounts of the operating subsidiary of the Core Group for the year ending 31 December 2018 is not available yet.

Acquisition of the Siwu Guangzhou

On 8 May 2018, Sanbase China Holding Limited, a wholly-owned subsidiary of the Company, has completed the acquisition of 65% of the equity interests in Siwu Guangzhou, a service provider of interior design and interior fit-out solutions for commercial premises in the PRC, for a consideration of RMB2,401,000. As at 31 March 2019, such consideration has been fully paid.

INVESTMENT IN WONDER NEW ECONOMY CAMBODIA FUND

The Group's unlisted equity investments as at 31 March 2019 amounted to approximately HK$7.8 million (2018: Nil), represent a long term investment in equity interest in Wonder New Economy Cambodia Fund SP I (the "**Cambodia Fund**"). The Cambodia Fund is a segregated portfolio of Wonder New Economy Fund SPC which mainly pursues medium to long-term capital appreciation through the acquisition of a land parcel in Koh Pich, Phnom Penh, Cambodia (the "**Land**") and the development of the Land as well as participating in property management and other related businesses. Such investment was made on 18 December 2018 and financed with the Company's internal resources.

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

During the year ended 31 March 2019, other than the abovementioned, the Group did not have any other significant investment, material acquisition or disposal of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group provided guarantees of surety bonds of approximately HK$8.8 million and HK$5.0 million in respect of 3 (2018: 3) construction contracts of the Group in its ordinary course of business, respectively.

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on the Listing Date. The net proceeds from the listing of the shares of the Company in connection with the Listing was approximately HK$56.9 million. During the period from the Listing Date to 31 March 2019, the net proceeds from the Listing were applied as follows:

Proposed use of net proceeds	Percentage of total net proceeds	Planned use of the net proceeds as stated in the Prospectus	Actual use of the net proceeds up to 31 March 2019	Unutilized use of the net proceeds up to 31 March 2019
		(HK$' million)	*(HK$' million)*	*(HK$' million)*
For project execution and start-up costs for our projects	69.9%	34.2	34.2	—
For recruiting high caliber and experienced managers and supervisors for the expansion of our project teams and renting additional office space	11.5%	5.6	5.6	—
For revamping our project management and execution system	8.1%	4.0	0.2	3.8
For implementation of ERP system	3.5%	1.7	1.7	—
For additional working capital and other general corporate purposes	7.0%	3.4	3.4	—
	100%	48.9	45.1	3.8

The business objectives, future plans and planned use of proceeds as stated in the prospectus dated 18 December 2017 of the Company (the "**Prospectus**") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

For the unutilized net proceeds for the year ended 31 March 2019, the Company intends to use them in the same manner and proportions as described in the Prospectus. The completion time of the use of the net proceeds will be determined based on the future business development of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

- We depend on our subcontractors to carry out various trades of work and bear the risks associated with fluctuations in subcontracting costs, substandard performance and instability of their operations;

- The Group's business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular;

- Most of the revenue is derived from contracts awarded through competitive tendering and the contracts are non-recurring in nature. The Group's business depends on its success on project tenders;

- We determine the tender price based on our estimation of the time and costs involved, which may not be accurate; and

- Our liquidity and financial position may be adversely affected if we cannot receive progress payments or retention money in full in time or at all.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND SHAREHOLDERS

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders. During the year ended 31 March 2019, the Group have maintained good relationships with the customers and suppliers and there was no material dispute between the Group and the customers or the suppliers.

Regarding the employees, the Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and professional working environment. During the year ended 31 March 2019, we have provided competitive remuneration packages to our employees to recognize their contribution to the Group.

The principal goal of the Group is to maximize the return to the Shareholders. The Group will focus on our core business for achieving sustainable profit growth and rewarding the Shareholders with dividend payouts while taking into account the business development needs and financial health of the Group.

MANAGEMENT CONTRACTS

Other than the Directors' service agreements and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year ended 31 March 2019 or at any time during the year ended 31 March 2019.

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 is 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.

No share options has lapsed, or have been granted, exercised or cancelled under the Share Option Scheme since its adoption and up to the date of this announcement, hence no outstanding share option as at 31 March 2019 and 2018.

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.

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 recognize the contributions by certain eligible persons and provide 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 Shares, representing approximately 1.03% of the total issued share capital of the Company as at the date of this announcement. No Shares have been granted under the Share Award Scheme since its adoption and up to 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.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2019, none of the Directors or any of their respective close associates (as defined under 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 which any such persons has or may have with the Group.

DEED OF NON-COMPETITION

On 8 December 2017, Mr. Wong Sai Chuen and Madison Square International Investment Limited (collectively referred to as the "**Covenantors**"), and the Company (for itself and as trustee for each of its subsidiaries) entered into a deed of non-competition (the "**Non-competition Deed**"), pursuant to which each of the Covenantors has irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Covenantors declared that they have complied with the Non-competition Deed for the year ended 31 March 2019. The independent non-executive Directors have conducted such review for the year ended 31 March 2019 and also reviewed the relevant undertakings and are satisfied that the Non-competition Deed has been fully complied.

DIRECTORS' SERVICE CONTRACT

The Company has entered into a director's service agreement with to each of the executive Directors and non-executive Director, namely Mr. Wong Sai Chuen, Mr. Wong Kin Kei, Ms. Hui Man Yee, Maggie and Mr. Cheung Ting Pong, for a term of 3 years from the Listing Date. The Company has also issued a letter of appointment to each of the independent non-executive Directors, namely Mr. Fan Chun Wah, Andrew *J.P.*, Mr. Wu Kam On, Keith and Mr. Pang Chung Fai, Benny for a term of three years from the Listing Date. The term of office of each of the Directors is subject to termination, and termination notice can be served either by the Director or the Company.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee has been established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices annually. The Company has maintained one defined contribution pension scheme for its employees in Hong Kong under the Mandatory Provident Fund ("**MPF Scheme**"). Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The Company has also adopted a Share Option Scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" of this announcement.

During the year ended 31 March 2019, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil). None of the Directors waived any emoluments during the year ended 31 March 2019.

INTERESTS OF COMPLIANCE ADVISER

With effect from 1 May 2019, the Company and TC Capital International Limited ("**TC Capital**") have mutually agreed to terminate the compliance adviser agreement entered into between the Company and TC Capital dated 6 July 2017 (the "**TC Capital Agreement**"). The Company has appointed Messis Capital Limited ("**Messis Capital**") as the new compliance adviser of the Company and signed a compliance adviser agreement with Messis Capital (the "**Messis Capital Agreement**") with effect from 1 May 2019.

As notified by TC Capital and Messis Capital respectively, save for the TC Capital Agreement and Messis Capital Agreement, neither TC Capital nor Messis Capital, as the compliance adviser of the Company during the respective periods, nor any of their directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of 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 31 March 2019.

CONNECTED TRANSACTIONS

During the year ended 31 March 2019, there were no connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the GEM Listing Rules.

None of these related party transactions constitute a discloseable connected transaction as defined under the GEM Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING DATE

The Board is not aware of any events after the reporting period that requires disclosure.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules since the Listing Date and up to the date of this announcement.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done concurred in or omitted in or about the execution of their duty or supposed duty in their offices, except such (if any) as they shall incur of sustain through their own fraud or dishonesty. Such permitted indemnity provision has been in force throughout the year ended 31 March 2019. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on 10 September 2019 at 10:00 a.m. at 1804B, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, the AGM notice will be published and dispatched to the Shareholders in due course.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint PricewaterhouseCoopers as auditor of the Company. There has been no change of auditor of the Company since the Listing Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to support environmental protection to ensure business development and sustainability. The Group implement green office practices to reduce the consumption of energy and natural resources. These practices include the use of energy-saving lightings and recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible. A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report for the year ended 31 March 2019 has been published.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 March 2019.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The annual results announcement and the annual report of the Company containing all the information required by the GEM Listing Rules for the year ended 31 March 2019 will be published on the respective websites of the Stock Exchange (www.hkgem.com) and the Company (www.sanbase.com.hk). The annual report will be despatched to the Shareholders in due course.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing Shareholders' interests. The Group's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "**CG Code**").

During the year ended 31 March 2019, the Company has complied with the CG Code save for the deviation from code provision A.2.1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Sai Chuen, holds both positions. Mr. Wong Sai Chuen has been primarily responsible for overseeing the Group's general management and business development of the Group and for formulating business strategies and policies for our business management and operations since he founded the 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 Sai Chuen 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.

Save as disclosed above, the Directors consider that during the year ended 31 March 2019, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

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

Hong Kong, 20 June 2019

As at the date of this announcement, the Board comprises Mr. Wong Sai Chuen (chairman), Mr. Wong Kin Kei (chief operating officer) and Ms. Hui Man Yee Maggie being the executive Directors; and Mr. Cheung Ting Pong being the non-executive Director; and Mr. Fan Chun Wah Andrew J.P., Mr. Wu Kam On Keith and Mr. Pang Chung Fai Benny being the independent non-executive Directors.

This announcement will remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.sanbase.com.hk.