



**SANBASE CORPORATION LIMITED**

**莊皇集團公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8501)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 30 JUNE 2020**

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

## 2020 FIRST QUARTERLY RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sanbase Corporation Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019, are as follows:

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

FOR THE THREE MONTHS ENDED 30 JUNE 2020

		Unaudited	
		Three months ended 30 June	
		2020	2019
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>144,950</b>	179,538
Cost of sales	4	<u>(129,750)</u>	<u>(164,723)</u>
<b>Gross profit</b>		<b>15,200</b>	14,815
Administrative expenses	4	<u>(6,609)</u>	<u>(6,663)</u>
<b>Operating profit</b>		<b>8,591</b>	8,152
Finance income		<b>59</b>	8
Finance costs		<b>(66)</b>	(115)
Finance (costs)/income – net	5	<u>(7)</u>	<u>(107)</u>
<b>Profit before income tax</b>		<b>8,584</b>	8,045
Income tax expense	7	<u>(2,074)</u>	<u>(1,810)</u>
<b>Profit for the period</b>		<u><b>6,510</b></u>	<u>6,235</u>
<b>Other comprehensive loss, net of income tax</b>			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Exchange differences arising on translation of foreign operation		<u>7</u>	<u>(61)</u>
<b>Total comprehensive income for the period</b>		<u><b>6,517</b></u>	<u>6,174</u>

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>4,638</b>	3,513
Non-controlling interests	<b>1,872</b>	2,722
	<u><b>6,510</b></u>	<u>6,235</u>
<b>Total comprehensive income</b>		
<b>for the period attributable to:</b>		
Owners of the Company	<b>4,643</b>	3,459
Non-controlling interests	<b>1,874</b>	2,715
	<u><b>6,517</b></u>	<u>6,174</u>
	<i>HK Cents</i>	<i>HK Cents</i>
<b>Earnings per share attributable to</b>		
<b>owners of the Company</b>		
Basic and diluted	<b>8</b> <u><u>2.34</u></u>	<u>1.77</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 30 JUNE 2020**

	Unaudited Attributable to owners of the Company						Unaudited Non- controlling interests HK\$'000	Unaudited Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Shares held under share award scheme HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
At 1 April 2019	1,553	63,832	(2,998)	(53)	69,524	131,858	4,946	136,804
<b>Profit for the period</b>	-	-	-	-	3,513	3,513	2,722	6,235
<b>Other comprehensive loss for the period:</b>								
Exchange differences arising on translation of foreign operation	-	-	-	(54)	-	(54)	(7)	(61)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	(54)	3,513	3,459	2,715	6,174
At 30 June 2019	<u>1,553</u>	<u>63,832</u>	<u>(2,998)</u>	<u>(107)</u>	<u>73,037</u>	<u>135,317</u>	<u>7,661</u>	<u>142,978</u>
At 1 April 2020	1,553	57,632	(2,998)	(144)	85,748	141,791	10,414	152,205
<b>Profit for the period</b>	-	-	-	-	4,638	4,638	1,872	6,510
<b>Other comprehensive loss for the period:</b>								
Exchange differences arising on translation of foreign operation	-	-	-	5	-	5	2	7
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	5	4,638	4,643	1,874	6,517
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,992)	(3,992)
At 30 June 2020	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>(139)</u>	<u>90,386</u>	<u>146,434</u>	<u>8,296</u>	<u>154,730</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

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

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

The unaudited condensed consolidated financial information for the three months ended 30 June 2020 have been reviewed by the audit committee of the Company ("**Audit Committee**") but have not been reviewed or audited by the Company's auditor.

### 2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months ended 30 June 2020 has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "**HKFRSs**"), which is a collective term for all individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The unaudited condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual report for the year ended 31 March 2020.

The unaudited condensed consolidated financial information for the three months ended 30 June 2020 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Saved for the above, the significant accounting policies that have been used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2020 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2020 included in the 2020 Annual Report.

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 March 2020.

### 3. REVENUE AND SEGMENT INFORMATION

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Bare shell fit-out	<b>129,472</b>	153,565
Restacking	<b>7,561</b>	15,559
Reinstatement	<b>216</b>	5,114
Design	<b>517</b>	2,374
Churn works	<b>6,763</b>	2,165
Maintenance and others	<b>421</b>	761
	<b>144,950</b>	179,538

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months ended 30 June 2020 and 2019.

The executive Directors have been identified as the chief operating decision makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources. The Group focuses on provision of interior fit-out solutions in Hong Kong and the PRC for the three months ended 30 June 2020 and 2019. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Directors regard the Group’s business as a single operating segment and review consolidated financial information accordingly. The Group primarily operates in Hong Kong and started its business in the PRC in May 2018. Revenue generated from customers in the PRC is also related to the provision of interior fit-out solutions and the reported geographical segment information is presented as below:

### Geographical information

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

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>
Hong Kong	143,533	157,213
The PRC	1,417	22,325
	<u>144,950</u>	<u>179,538</u>

### Information about major customers

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

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>
Customer A	63,753	N/A ( <i>Note</i> )
Customer B	19,459	N/A ( <i>Note</i> )
Customer C	16,933	N/A ( <i>Note</i> )
Customer D	N/A ( <i>Note</i> )	34,905
Customer E	N/A ( <i>Note</i> )	30,462
Customer F	N/A ( <i>Note</i> )	18,745

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

#### 4. EXPENSES BY NATURE

The Group's profit for the three months ended 30 June 2020 and 2019 are stated after charging the following cost of sales and administrative expenses:

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Subcontracting charges	117,239	154,206
Staff costs ( <i>Note 6</i> )	10,832	9,547
Cleaning expenses	2,755	3,043
Insurance expenses	862	967
Security expenses	96	6
Operating lease payments	–	12
Auditor's remuneration	–	120
Depreciation on right-of-use assets	686	644
Depreciation on property, plant and equipment	289	287
Amortisation of intangible assets	214	82
Legal and professional fees	2,773	1,614
Other expenses	613	858
	<hr/>	<hr/>
Total cost of sales and administrative expenses	<b>136,359</b>	171,386
	<hr/> <hr/>	<hr/> <hr/>

#### 5. FINANCE (COSTS)/INCOME – NET

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income from bank deposits	59	8
Bank interest expense on bank borrowings	–	(39)
Interest expense on lease liabilities	(66)	(76)
	<hr/>	<hr/>
	<b>(7)</b>	(107)
	<hr/> <hr/>	<hr/> <hr/>



## 6. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Salaries, bonuses and allowances	10,466	9,215
Retirement benefits contributions	366	332
	<u>10,832</u>	<u>9,547</u>

## 7. INCOME TAX EXPENSE

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	2,077	1,607
– PRC enterprise income tax	36	220
Deferred tax	(39)	(17)
	<u>2,074</u>	<u>1,810</u>

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

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

Under the Law of the PRC on enterprise income tax (“**EIT**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (2019: 25%).

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

## 8. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under share award scheme during the three months ended 30 June 2020 and 2019.

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	4,638	3,513
Weighted average number of ordinary shares in issue less shares held under share award scheme ('000)	197,944	197,944
Basic earnings per ordinary share (HK cents)	<u>2.34</u>	<u>1.77</u>

### (b) Diluted

There were no outstanding share options as at 30 June 2020 and 2019 and have no potential dilutive ordinary share in issue. Accordingly, diluted earnings per share is equal to basic earnings per share.

## 9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2020 and 2019.

## 10. 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 2020 and 2019.

### Compensation of key management

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

	Unaudited	
	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Salaries, bonuses and allowances	1,307	1,397
Retirement benefits contributions	23	14
	<u>1,330</u>	<u>1,411</u>

## 11. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	<b>Unaudited</b> <b>As at 30 June</b> <b>2020</b> <b><i>HK\$'000</i></b>	Audited As at 31 March 2020 <i>HK\$'000</i>
Surety bonds	<u><b>5,920</b></u>	<u>7,084</u>

As at 30 June 2020, the Group provided guarantees of surety bonds in respect of 4 (31 March 2020: 4) construction contracts of the Group in its ordinary course of business. No deposit was made in relation to the guarantees of surety bonds in respect of the construction contracts as at 30 June 2020 and 31 March 2020. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

During the three months ended 30 June 2020 (the “**Current Period**”), the Group achieved an decrease in revenue of approximately 19.3% to approximately HK\$144.9 million from approximately HK\$179.5 million for the three months ended 30 June 2019 (the “**Previous Period**”). The decrease was mainly attributable to the decrease in revenue from the business of bare shell fit-out and restacking. Notwithstanding the above decrease in revenue, due to the decrease in cost of sales, the Group's gross profit increased to approximately HK\$15.2 million for the Current Period from the approximately HK\$14.8 million for the Previous Period, representing an increase of approximately 2.6%.

The Group's profit attributable to owners of the Company increased by approximately 32.0% to approximately HK\$4.6 million for the Current Period from approximately HK\$3.5 million for the Previous Period.

## FINANCIAL REVIEW

### Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn works; and (vi) maintenance and others. During the Current Period, the Group's revenue decreased by approximately 19.3% to approximately HK\$144.9 million (Previous Period: HK\$179.5 million). The decrease is mainly attributable to the decrease in revenue from the provisions of bare shell fit-out and restacking services.

The following table sets forth a breakdown of the Group's revenue by project types for the three months ended 30 June 2020 and 2019:

	Unaudited			
	Three months ended 30 June			
	2020		2019	
	HK\$'000	%	HK\$'000	%
<b>Project type</b>				
Bare shell fit-out	129,472	89.3	153,565	85.5
Restacking	7,561	5.2	15,559	8.7
Reinstatement	216	0.1	5,114	2.8
Design	517	0.4	2,374	1.4
Churn works	6,763	4.7	2,165	1.2
Maintenance and others	421	0.3	761	0.4
<b>Total</b>	<b>144,950</b>	<b>100</b>	<b>179,538</b>	<b>100.0</b>

As shown in above table, our bare shell fit-out contributed to approximately 89.3% and 85.5% of the Group's total revenue for the three months ended 30 June 2020 and 2019 respectively. Revenue from bare shell fit-out decreased to approximately HK\$129.5 million for the Current Period from approximately HK\$153.6 million for the Previous Period, representing an decrease of approximately 15.7%.

From 1 April 2020 and up to the date of this quarterly report, we were newly awarded a total of 10 bare shell fit-out projects with a total project sum of approximately HK\$122.8 million.

### Cost of sales and Direct margin

The Group's cost of sales mainly comprised subcontracting charges and staff costs. The decrease in cost of sales from HK\$164.7 million for the Previous Period to HK\$129.8 million for the Current Period, representing an decrease of approximately 21.2%.

Defined as revenue less subcontracting costs, cleaning expenses, insurance expenses and security expenses, direct margin of the Group indicates the overall project profitability before taking into account of other fixed costs. The following table sets forth the breakdown of the Group's direct margin by project types for the three months ended 30 June 2020 and 2019:

	<b>Unaudited</b>			
	<b>Three months ended 30 June</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>% of</i>	<i>HK\$'000</i>	<i>% of</i>
<b>Project type</b>		<b>revenue</b>		<b>revenue</b>
Bare shell fit-out	<b>18,181</b>	<b>14.0</b>	14,630	9.5
Restacking	<b>836</b>	<b>11.1</b>	1,821	11.7
Reinstatement	<b>22</b>	<b>10.2</b>	600	11.7
Design	<b>481</b>	<b>93.0</b>	2,353	99.1
Churn works	<b>1,457</b>	<b>21.5</b>	1,478	68.3
Maintenance and others	<b>295</b>	<b>70.1</b>	528	69.4
<b>Total</b>	<b>21,272</b>	<b>14.7</b>	21,410	11.9

The Group's overall direct margin slightly decreased to approximately HK\$21.3 million for the Current Period from approximately HK\$21.4 million for the Previous Period. Such decrease in the direct margin was primarily attributable to the increase of direct margin of bare shell fit-out to HKD18.2 million offset by the decrease of direct margin for churn work for the period ended 30 June 2020.

### **Administrative Expenses**

The Group's administrative expenses amounted to approximately HK\$6.6 million for the Current Period, remaining stable as compared to HK\$6.7 million for the Previous Period.

### **Income tax expense**

Income tax expense of the Group for the Current Period was approximately HK\$2.1 million, remaining stable as compared to HK\$1.8 million for the Previous Period.

### **Profit for the period**

Profit for the Group slightly increased to approximately HK\$6.5 million for the Current Period from approximately HK\$6.2 million for the Previous Period.

## **Profit attributable to owners of the Company**

Profit attributable to owners of the Company amounted to approximately HK\$4.6 million for the Current Period, representing an increase of approximately HK\$1.1 million, as compared with approximately HK\$3.5 million for the Previous Period.

## **LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE**

During the Current Period, the Group financed its operation by its internal resources and granted bank facility. As at 30 June 2020, the Group had net current assets of approximately HK\$129.6 million (31 March 2020: HK\$128.2 million), including cash and cash equivalents balances of approximately HK\$96.9 million (31 March 2020: HK\$120.3 million) mainly denominated in Hong Kong dollars.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 30 June 2020 (31 March 2020: 1.6 times). The gearing ratio of the Group as at 30 June 2020 was zero (31 March 2020: zero). The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

There has been no change in capital structure of the Company as at 30 June 2020. The equity attributable to owners of the Company amounted to approximately HK\$146.4 million as at 30 June 2020 (31 March 2020: HK\$141.8 million).

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

## **PLEDGE OF ASSETS**

As at 30 June 2020 and 31 March 2020, the Group had not pledged any assets to secure bank facilities or finance lease obligation.

## **CAPITAL COMMITMENTS**

As at 30 June 2020 and 31 March 2020, the Group had no capital commitment.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

On 14 February 2020, a wholly-owned subsidiary of the Company entered into an agreement in relation to the acquisition (“**Acquisition**”) of the entire issued share capital of Yu Rong Capital Limited, a company incorporated in Hong Kong having a licence under the Money Lenders Ordinance (Cap 163 of the Laws of Hong Kong), for a consideration of HK\$2.55 million and the Acquisition was completed on 1 June 2020. For details, please refer to the announcement of the Company dated 14 February 2020 and 1 June 2020 respectively.

Save for those disclosed in this report, there was no significant investment held by the Group, nor was there other material acquisition or disposal of subsidiaries by the Group during the three months ended 30 June 2020.

## **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group provided guarantees of surety bonds of approximately HK\$5.9 million (31 March 2020: HK\$7.1 million) in respect of 4 construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

## **HUMAN RESOURCES MANAGEMENT**

As at 30 June 2020, the Group had a total of 93 (31 March 2020: 94) 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.

## **OUTLOOK**

In view of uncertain factors such as (i) the COVID-19 pandemic, (ii) Hong Kong social events and (iii) Sino-US relations in the second half of the year, the economy in Hong Kong remains bleak, and the business environment in Hong Kong is challenging. According to a recent survey of Jones Lang LaSalle, many enterprises have postponed their plans to rent new office buildings, and even choose to move away from the central business district to consolidate or reduce office space, so as to save costs. Jones Lang LaSalle expects that leasing market will continue to slump in the second half of the year, which will have a negative impact on the fit-out services of Grade A office. However, the Group believes that some enterprises which previously postponed their leasing plans due to costs may reconsider leasing Grade A office buildings, with significant adjustments in the rents of Grade A office buildings. Coupled with the recent return of a number of Chinese concept stocks to listing in Hong Kong, the medium-term leasing market will rebound, which is beneficial to the fit-out service industry.

Before the market recovery, the Group will continue to solidify its existing business, including seeking more cooperation opportunities among existing customers, such as the follow-up projects for the relocation of public sectors or enterprises, as well as exploring cooperation opportunities with other property management companies and developers to promote organic growth. Meanwhile, the Group will continue to further improve its subcontractor portfolio, and identify more competitive subcontractors on the basis of maintaining the construction quality, so as to improve the cost management continuously.

Furthermore, the Group will continue to develop its business in China and overseas and seek for more project opportunities. We are now seeking for opportunities of further development in Cambodia where we have achieved good results previously in local projects involved and also intending to expand our businesses to Southeast Asia, including Vietnam, Singapore and Malaysia, with a view to bring the “do better” brand image of Sanbase Corporation to more countries.

At last, the Group acquired a financing company in June of this year, with the aim of exploring and developing new income channels while doing our business well, such as providing property mortgage services to prospective buyers in order to earn a stable interest return, thus reduce the industrial risk of fitting out business.



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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.68 of the GEM Listing Rules relating to the securities transactions by the directors.

### (A) Long Position in the Company's Shares

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

#### Notes:

- 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.
- 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.
- Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under the SFO.

**(B) Long Position in the Shares of associated corporations**

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

*Notes:*

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

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company nor their close associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

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

As at 30 June 2020, so far as known to the Directors, the particulars of the corporate or persons (other than a Director or the chief executive of the Company) which had 5% or more interests and short positions in the shares and the underlying shares of the Company as recorded in the register kept pursuant to section 336 of the SFO were as follows:

### Long Position in the Company's Shares

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

#### Notes:

- Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under the SFO.
- 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.
- 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.
- 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.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in this quarterly report, at no time during the three months ended 30 June 2020 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors or their close associates 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**

Save for the purchase of Shares by the trustee through on-market transactions at prevailing market price as stipulated under the share award scheme (adopted by the Company on 16 October 2018), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Current Period.

#### **INTEREST IN COMPETING BUSINESS**

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

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the three months ended 30 June 2020.

#### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

The Company has complied throughout the three months ended 30 June 2020 with all the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules, except the following deviation:

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, holds both positions. Mr. Wong has been primarily responsible for overseeing the Group’s management and business development and formulating business strategies and policies of the Group since 2009. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

## **DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2020 and 2019.

## **INTEREST OF COMPLIANCE ADVISER**

With effect from 1 July 2020, the Company and Messis Capital Limited (“**Messis Capital**”) have mutually agreed to terminate the compliance adviser agreement entered into between the Company and Messis Capital dated 30 April 2019 (the “**CA Agreement**”). Since the date of listing of the Company on GEM of the Stock Exchange on 4 January 2018, the Company had appointed compliance adviser throughout the two full financial years commencing on the date of its initial listing (being the financial years ended 31 March 2019 and 2020).

As notified by Messis Capital, except for the CA Agreement, neither Messis Capital nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest 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 2020.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the three months ended 30 June 2020, which is of the opinion that such information have been prepared in accordance with all applicable accounting standards, the requirements under the Hong Kong Companies Ordinance and the GEM Listing Rules.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND 2020 FIRST QUARTERLY REPORT**

This announcement is published on the websites of HKEXnews ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as the website of the Company ([www.sclhk.com](http://www.sclhk.com)). The Company's 2020 first quarterly report will be dispatched to Shareholders and will be published on the aforementioned websites in due course.

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

Hong Kong, 10 August 2020

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

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication. This announcement will also be published on the Company's website at [www.sclhk.com](http://www.sclhk.com).*