



SANBASE CORPORATION LIMITED

莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

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

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

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

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

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

2020 INTERIM 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 and six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited			
		Three months ended 30 September		Six months ended 30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	5	156,624	167,856	301,574	347,394
Cost of sales	6	(146,279)	(153,626)	(276,029)	(318,349)
Gross Profit		10,345	14,230	25,545	29,045
Other income	7	2,483	–	2,483	–
Administrative expenses	6	(10,477)	(7,779)	(17,086)	(14,442)
Impairment losses on financial assets	18	(1,542)	(1,931)	(1,542)	(1,931)
Operating profit		809	4,520	9,400	12,672
Finance income		10	23	69	31
Finance costs		(70)	(80)	(136)	(195)
Finance (costs)/income – net	8	(60)	(57)	(67)	(164)
Profit before income tax		749	4,463	9,333	12,508
Income tax expense	10	(704)	(1,140)	(2,778)	(2,950)
Profit for the period		45	3,323	6,555	9,558
Other comprehensive income/(loss), net of income tax					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
– Exchange differences arising on translation of foreign operation		279	(123)	286	(184)
Total comprehensive income for the period		324	3,200	6,841	9,374

		Unaudited			
		Three months ended		Six months ended	
		30 September		30 September	
		2020	2019	2020	2019
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to:					
	Owners of the Company	2,197	1,078	6,835	4,591
	Non-controlling interests	(2,152)	2,245	(280)	4,967
		<u>45</u>	<u>3,323</u>	<u>6,555</u>	<u>9,558</u>
Total comprehensive income/(loss) for the period attributable to:					
	Owners of the Company	2,402	1,014	7,045	4,473
	Non-controlling interests	(2,078)	2,186	(204)	4,901
		<u>324</u>	<u>3,200</u>	<u>6,841</u>	<u>9,374</u>
		<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share attributable to owners of the Company					
	Basic and diluted	<u>1.11</u>	<u>0.54</u>	<u>3.45</u>	<u>2.32</u>
		<i>11</i>			

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	15	1,687	2,194
Right-of-use assets		4,530	4,861
Intangible assets	16	12,053	9,719
Financial asset at fair value through profit or loss	4.2	7,094	7,094
Deposits and prepayments		1,320	2,595
Deferred tax assets		294	294
		<u>26,978</u>	<u>26,757</u>
Current assets			
Trade and retention receivables	18	121,625	75,556
Contract assets		105,988	136,959
Deposits, other receivables and prepayments		14,066	11,265
Cash and cash equivalents		100,080	120,321
		<u>341,759</u>	<u>344,101</u>
Total assets		<u><u>368,737</u></u>	<u><u>370,858</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	20	1,553	1,553
Shares held under share award scheme		(2,998)	(2,998)
Share premium		57,632	57,632
Exchange reserve		66	(144)
Retained earnings		92,583	85,748
		<u>148,836</u>	<u>141,791</u>
Non-controlling interests		6,218	10,414
Total equity		<u><u>155,054</u></u>	<u><u>152,205</u></u>

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		14	29
Lease liabilities		2,373	2,745
		<u>2,387</u>	<u>2,774</u>
Current liabilities			
Trade payables	19	185,541	201,835
Accruals and other payables	19	2,241	3,046
Contract liabilities		15,231	5,656
Deferred income		1,242	–
Lease liabilities		2,257	2,249
Current income tax liabilities		4,784	3,093
		<u>211,296</u>	<u>215,879</u>
Total liabilities		<u>213,683</u>	<u>218,653</u>
Total equity and liabilities		<u>368,737</u>	<u>370,858</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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
Profit for the period	-	-	-	-	4,591	4,591	4,967	9,558
Other comprehensive loss for the period								
Exchange differences arising on translation of foreign operation	-	-	-	(118)	-	(118)	(66)	(184)
Total comprehensive (loss)/income for the period	-	-	-	(118)	4,591	4,473	4,901	9,374
Dividends declared	-	(6,200)	-	-	-	(6,200)	-	(6,200)
At 30 September 2019	1,553	57,632	(2,998)	(171)	74,115	130,131	9,847	139,978
At 1 April 2020	1,553	57,632	(2,998)	(144)	85,748	141,791	10,414	152,205
Profit for the period	-	-	-	-	6,835	6,835	(280)	6,555
Other comprehensive income for the period								
Exchange differences arising on translation of foreign operation	-	-	-	210	-	210	76	286
Total comprehensive (loss)/income for the period	-	-	-	210	6,835	7,045	(204)	6,841
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,992)	(3,992)
At 30 September 2020	1,553	57,632	(2,998)	66	92,583	148,836	6,218	155,054

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(10,906)	13,928
Interest received	69	31
Income tax paid	(1,149)	(2,196)
	<u>(11,986)</u>	<u>11,763</u>
Net cash (outflow)/inflow from operating activities		
Cash flows from investing activities		
Payment for the contingent consideration for acquisition of a subsidiary	–	(4,008)
Payment for acquisition of a subsidiary, net of cash acquired (<i>note 17</i>)	(2,549)	–
Payments for purchase of property, plant and equipment	(146)	(366)
	<u>(2,695)</u>	<u>(4,374)</u>
Net cash outflow from investing activities		
Cash flows from financing activities		
Dividend paid to non-controlling interests	(3,992)	–
Interest paid	(136)	(196)
Lease liabilities paid	(1,610)	(1,387)
Proceeds from bank borrowings	–	10,539
Repayment of bank borrowings	–	(22,367)
	<u>(5,738)</u>	<u>(13,411)</u>
Net cash outflow from financing activities		
Net decrease in cash and cash equivalents	(20,419)	(6,022)
Effects of exchange rate changes on cash and cash equivalents	178	(258)
Cash and cash equivalents at 1 April	120,321	106,009
	<u>120,321</u>	<u>106,009</u>
Cash and cash equivalents at 30 September	100,080	99,729
	<u>100,080</u>	<u>99,729</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

The unaudited condensed consolidated financial information for the three months and six months ended 30 September 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 and six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim Financial Reporting" 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 and six months ended 30 September 2020 has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate.

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions

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

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

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

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

Saved for the above, the significant accounting policies that have been used in the preparation of the unaudited condensed consolidated financial information for the three months and six months ended 30 September 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.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the critical judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

There have been no changes in the risk management policies since 31 March 2020.

4.2 Fair value estimation

The following financial instruments that carried at fair value are categorised based on the level of inputs to valuation techniques within a fair value hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table presents the Group's financial assets measured and recognised at fair value at 30 September 2020 and 31 March 2020:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 September 2020 (Unaudited)				
Financial asset at fair value through profit or loss ("FVPL")				
– Unlisted debt investment	–	–	7,094	7,094
	<u>–</u>	<u>–</u>	<u>7,094</u>	<u>7,094</u>
At 31 March 2020 (Audited)				
Financial asset at FVPL				
– Unlisted debt investment	–	–	7,094	7,094
	<u>–</u>	<u>–</u>	<u>7,094</u>	<u>7,094</u>

There were no transfers into or out of level 3.

The fair value of financial assets and financial liabilities measured at amortised cost approximate their carrying amounts.

There are no other financial instruments that were measured at fair value as at 30 September 2020 and 31 March 2020.

There were no changes in valuation techniques for the six months ended 30 September 2020.

5. REVENUE AND SEGMENT INFORMATION

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bare shell fit-out	64,288	141,391	193,760	294,956
Restacking	89,367	14,142	96,928	29,701
Reinstatement	85	8,025	301	13,139
Design	403	1,387	920	3,761
Churn works	2,007	2,656	8,770	4,821
Maintenance and others	474	255	895	1,016
	<u>156,624</u>	<u>167,856</u>	<u>301,574</u>	<u>347,394</u>

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months and six months ended 30 September 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 and six months ended 30 September 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 was provided. The Group’s operations and workforce are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group’s revenue from external customers.

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong	152,766	161,092	296,299	318,305
The PRC	3,858	6,764	5,275	29,089
	<u>156,624</u>	<u>167,856</u>	<u>301,574</u>	<u>347,394</u>

Information about major customers

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

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer A	30,122	N/A (Note)	93,874	N/A (Note)
Customer B	57,195	N/A (Note)	61,345	N/A (Note)
Customer C	14,505	N/A (Note)	33,964	N/A (Note)
Customer D	N/A (Note)	22,199	N/A (Note)	57,104
Customer E	N/A (Note)	22,383	N/A (Note)	39,029

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

6. EXPENSES BY NATURE

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

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subcontracting charges	136,853	144,863	254,092	299,069
Staff costs (<i>Note 9</i>)	10,973	9,774	21,805	19,321
Cleaning expenses	2,180	1,889	4,935	4,932
Insurance expenses	1,787	614	2,649	1,581
Security expenses	211	4	307	10
Operating lease payments	6	21	6	33
Auditor's remuneration	818	711	818	831
Depreciation on right-of-use assets	780	639	1,466	1,283
Depreciation on property, plant and equipment (<i>Note 15</i>)	271	280	560	567
Amortisation of intangible assets (<i>Note 16</i>)	44	39	87	121
Legal and professional fees	1,038	1,428	3,811	3,042
Other expenses	1,795	1,143	2,579	2,001
	<u>156,756</u>	<u>161,405</u>	<u>293,115</u>	<u>332,791</u>
Total cost of sales and administrative expenses				

7. OTHER INCOME

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government subsidies (<i>Note</i>)	2,483	–	2,483	–

Note: The HKSAR Government has launched the "Employment Support Scheme" to provide time-limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

8. FINANCE (COSTS)/INCOME – NET

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from bank deposits	10	23	69	31
Bank interest expense on bank borrowings	–	(4)	–	(43)
Interest expense on lease liabilities	(70)	(76)	(136)	(152)
	<u>(60)</u>	<u>(57)</u>	<u>(67)</u>	<u>(164)</u>

9. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, bonuses and allowances	10,614	9,452	21,080	18,667
Retirement benefits contributions	359	322	725	654
	<u>10,973</u>	<u>9,774</u>	<u>21,805</u>	<u>19,321</u>

10. INCOME TAX EXPENSE

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
– Hong Kong profits tax	645	893	2,690	2,500
– PRC enterprise income tax	66	693	102	913
Deferred tax	(7)	(446)	(14)	(463)
	<u>704</u>	<u>1,140</u>	<u>2,778</u>	<u>2,950</u>

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

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

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

11. EARNINGS PER SHARE

(a) Basic

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

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	2,197	1,078	6,835	4,591
Weighted average number of ordinary shares in issue less shares held under share award scheme (<i>'000</i>)	197,944	197,944	197,944	197,944
Basic earnings per ordinary share (<i>HK cents</i>)	1.11	0.54	3.45	2.32

(b) Diluted

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

12. DIVIDEND

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

13. RELATED PARTIES TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months and six months ended 30 September 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 September		Six months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	2,010	1,423	4,020	2,820
Retirement benefits contributions	18	13	36	27
	<u>2,028</u>	<u>1,436</u>	<u>4,056</u>	<u>2,847</u>

14. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

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

As at 30 September 2020, the Group provided guarantees of surety bonds in respect of 4 (31 March 2020: 4) construction contract(s) 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2020				
Cost	1,523	2,780	475	4,778
Accumulated depreciation	(971)	(1,484)	(129)	(2,584)
Net book amount	<u>552</u>	<u>1,296</u>	<u>346</u>	<u>2,194</u>
Six months ended 30 September 2020				
At 1 April 2020	552	1,296	346	2,194
Additions	146	-	-	146
Acquisition of a subsidiary (<i>Note 17</i>)	164	-	-	164
Write-off	-	(258)	-	(258)
Depreciation charge (<i>Note 6</i>)	(189)	(312)	(59)	(560)
Exchange difference	1	-	-	1
At 30 September 2020	<u>674</u>	<u>726</u>	<u>287</u>	<u>1,687</u>
At 30 September 2020				
Cost	1,834	2,522	475	4,831
Accumulated depreciation	(1,160)	(1,796)	(188)	(3,144)
Net book amount	<u><u>674</u></u>	<u><u>726</u></u>	<u><u>287</u></u>	<u><u>1,687</u></u>

16. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Customer relationship and contracts <i>HK\$'000</i>	Money lenders licence <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2020				
Cost	9,544	2,870	-	12,414
Accumulated amortisation	-	(2,695)	-	(2,695)
Net book amount	<u>9,544</u>	<u>175</u>	<u>-</u>	<u>9,719</u>
Six months ended 30 September 2020				
At 1 April 2020	9,544	175	-	9,719
Acquisition of a subsidiary (<i>Note 17</i>)	-	-	2,421	2,421
Amortisation charge (<i>Note 6</i>)	-	(87)	-	(87)
At 30 September 2020	<u>9,544</u>	<u>88</u>	<u>2,421</u>	<u>12,053</u>
At 30 September 2020				
Cost	9,544	2,870	2,421	14,835
Accumulated amortisation	-	(2,782)	-	(2,782)
Net book amount	<u><u>9,544</u></u>	<u><u>88</u></u>	<u><u>2,421</u></u>	<u><u>12,053</u></u>

17. BUSINESS COMBINATIONS

Acquisition of Yu Rong Capital Limited

On 1 June 2020, Morrice Company Limited, a wholly-owned subsidiary of the Company, acquired the entire interest of Yu Rong Capital Limited, a company incorporated in Hong Kong, at a consideration of approximately HK\$2,550,000. The acquisition is expected to diversify the Group's existing business.

Details of the purchase consideration and the net assets acquired are as follows:

	<i>HK\$'000</i>
Purchase consideration	
Cash paid	2,550

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value <i>HK\$'000</i>
Cash and cash equivalents	1
Property, plant and equipment (<i>Note 15</i>)	164
Intangible assets (<i>Note 16</i>)	2,421
Deposits, other receivables and prepayments	136
Accruals and other payables	(172)
Net identifiable assets acquired	2,550

Purchase consideration – net cash inflow

	<i>HK\$'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash Consideration	2,550
Less: Cash acquired	(1)
Net outflow of cash – investing activities	2,549

18. TRADE AND RETENTION RECEIVABLES

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Trade receivables	125,430	79,497
Less: provision for impairment of trade receivables	<u>(6,785)</u>	<u>(4,987)</u>
Trade receivables – net	<u>118,645</u>	<u>74,510</u>
Retention receivables	2,980	1,046
Less: provision for impairment of retention receivables	<u>–</u>	<u>–</u>
Retention receivables – net	<u>2,980</u>	<u>1,046</u>
Trade and retention receivables – net	<u><u>121,625</u></u>	<u><u>75,556</u></u>

Trade and retention receivables balances are categorised as “financial assets measured at amortised cost”. The carrying amounts of trade and retention receivables approximate their fair values.

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 1 year after the date of completion of the works. As at 30 September 2020 and 31 March 2020, the ageing analysis of the trade receivables based on the invoice date is as follows:

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Within 30 days	59,165	50,678
31 to 60 days	17,281	8,709
61 to 90 days	35,208	2,553
91 to 180 days	2,796	5,409
Over 180 days	<u>10,980</u>	<u>12,148</u>
	<u><u>125,430</u></u>	<u><u>79,497</u></u>

Impairment assessment on financial assets subject to expected credit loss model

	Unaudited Six months ended 30 September 2020 HK\$'000	2019 HK\$'000
Impairment losses recognised/(reversed) in respect of:		
– Trade receivables	1,798	1,922
– Contract assets	<u>(256)</u>	<u>9</u>
	<u><u>1,542</u></u>	<u><u>1,931</u></u>

The basis of determining the inputs and assumptions and the estimation techniques used in this unaudited condensed consolidated financial statements for the three months and six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

During the current interim period, the Group provided HK\$1,798,000 and reversed HK\$256,000 impairment allowance to trade receivable and contract assets respectively, were classified as "financial assets measured at amortised cost".

19. TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2020 <i>HK\$'000</i>	Audited As at 31 March 2020 <i>HK\$'000</i>
Trade payables	185,541	201,835
Accruals and other payables	2,241	3,046
	<u>187,782</u>	<u>204,881</u>

An ageing analysis of the trade payables, based on the invoice date was as follows:

	Unaudited As at 30 September 2020 <i>HK\$'000</i>	Audited As at 31 March 2020 <i>HK\$'000</i>
Within 30 days	116,478	134,244
31 to 60 days	13,499	14,998
61 to 90 days	7,372	15,468
91 to 180 days	8,889	17,254
Over 180 days	39,303	19,871
	<u>185,541</u>	<u>201,835</u>

20. SHARE CAPITAL

	Unaudited Number of shares (<i>'000</i>)	Share Capital <i>HK\$'000</i>
Ordinary shares, issued and fully paid: At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	<u>200,000</u>	<u>1,533</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the six months ended 30 September 2020 (the "**Current Period**"), the Group recorded a decrease in revenue of 13.2% to HK\$301.6 million from HK\$347.4 million for the six months ended 30 September 2019 (the "**Previous Period**"). The decrease was mainly due to the decrease in revenue from the business of bare shell fit-out. The Group's gross profit decreased to HK\$25.5 million for the Current Period from the HK\$29.0 million for the Previous Period, representing a decrease of 12.1%.

The Group's profit attributable to owners of the Company increased by 48.9% to HK\$6.8 million for the Current Period from HK\$4.6 million for the Previous Period.

OUTLOOK

When 2020 is reaching its conclusion, the impact of the COVID-19 pandemic on Hong Kong's economy has however intensified, and enterprises are experiencing the most severe business headwinds since the SARS epidemic in 2003. A report by JLL Hong Kong released in September this year identified the sluggish market demand for Grade A office spaces, as companies were moving out of the CBD to minimize rental cost. Yet, the decline in rental fee for Grade A office buildings has eased in August, suggesting that a few companies were encouraged to reconsider moving into Grade A office buildings for expansion following by a long time of adjustment of rent in the market. In addition, an increasing number of Chinese conceptual companies is expected to return to Hong Kong for listing, which would in turn stimulate the need for larger Grade A office areas. These factors are expected to bring new life to the office leasing market, and a rebound for short-to-medium-term lease is well-anticipated, favoring the prospect of the fit-out industry.

Before rejuvenation of the Hong Kong economy, in order to further accelerate the endogenous growth, the Group will diligently solidify its existing business, by seeking more opportunities with existing clients, such as follow-up constructions for public institutions after relocation, restacking for existing Grade A office tenants, and exploring opportunities to work with property management companies and property developers. Meanwhile, the Group will continue to refine its subcontractor portfolio, and gain a more effective control on operational cost by identifying those with greater price competitiveness at similar service quality, in the hope of creating a mutually beneficial industry environment.

Lastly, the Group has acquired a financing company at the mid-year, with the intention of developing a new income stream while excelling in its existing operations. The newly acquired business consists of providing mortgage services for home buyers in exchange for stable interest income, which would ease the Group's business concentration risk over its reliance on fit-out services. However, in response to the ongoing pandemic and market uncertainties that prevail, the financing company has yet to be put into operation. The Group is attentively observing the market environment, prudently analyzing and projecting any potential opportunities and risks, so as to grasp the best appropriate time for launching the business and strive for greatest competitive edge.

FINANCE REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn works; and (vi) maintenance and others. During the Current Period, the Group's revenue decreased by 13.2% to HK\$301.6 million (Previous Period: HK\$347.4 million). The decrease was mainly due to the decrease in revenue from the provisions of bare shell fit-out.

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

Project type	Unaudited			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Bare shell fit-out	193,760	64.3	294,956	84.9
Restacking	96,928	32.1	29,701	8.5
Reinstatement	301	0.1	13,139	3.8
Design	920	0.3	3,761	1.1
Churn works	8,770	2.9	4,821	1.4
Maintenance and others	895	0.3	1,016	0.3
Total	301,574	100	347,394	100

As shown in above table, our bare shell fit-out contributed to 64.3% and 84.9% of the Group's total revenue for the six months ended 30 September 2020 and 2019 respectively. Revenue from bare shell fit-out decreased to HK\$193.8 million for the Current Period from HK\$295.0 million for the Previous Period, representing a decrease of 34.3%.

From 1 April 2020 and up to the date of this announcement, we were newly awarded a total of 15 bare shell fit-out projects with a total project sum of HK\$147.3 million.

Cost of sales and Direct margin

The Group's cost of sales mainly comprised subcontracting charges and staff costs. The decrease in cost of sales from HK\$318.3 million for the Previous Period to HK\$276.0 million for the Current Period, representing a decrease of 13.3%.

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 six months ended 30 September 2020 and 2019:

Project type	Unaudited			
	Six months ended 30 September			
	2020		2019	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Bare shell fit-out	21,955	11.3	31,340	10.6
Restacking	14,515	15.0	3,508	11.8
Reinstatement	37	12.2	807	6.1
Design	852	92.6	3,481	92.6
Churn works	2,325	26.5	1,928	40.0
Maintenance and others	181	20.2	985	96.9
Total	39,865	13.2	42,049	12.1

The Group's overall direct margin decreased to HK\$39.9 million for the Current Period from HK\$42.0 million for the Previous Period. Such decrease in the direct margin was primarily due to the increase of direct margin for restacking to HK\$14.5 million offset by the decrease of base shell fit-out and design for the Current Period.

Other income

The Group's other income amounted to HK\$2.5 million for the Current period (Previous Period: Nil) as a result of the government subsidies received from the HKSAR government under the Employment Support Scheme that provides time-limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

Administrative Expenses

The Group's administrative expenses increased from HK\$14.4 million for the Previous Period to HK\$17.1 million for the Current Period, which were mainly to an increase in staff cost and an increase in legal and professional fee.

Income tax expense

Income tax expense of the Group for the Current Period was HK\$2.8 million, remaining stable as compared to HK\$3.0 million for the Previous Period.

Profit for the period

Profit for the Group decreased to HK\$6.6 million for the Current Period from HK\$9.6 million for the Previous Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company amounted to HK\$6.8 million for the Current Period, representing an increase of HK\$2.2 million, as compared with HK\$4.6 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 September 2020, the Group had net current assets of HK\$130.5 million (31 March 2020: HK\$128.2 million), including cash and cash equivalents balances of HK\$100.1 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 1.6 times as at 30 September 2020 (31 March 2020: 1.6 times). The gearing ratio of the Group as at 30 September 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 September 2020. The equity attributable to owners of the Company amounted to HK\$148.8 million as at 30 September 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 September 2020 and 31 March 2020, the Group had not pledged any assets to secure bank facilities or finance lease obligations.

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENTS, 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 announcements of the Company dated 14 February 2020 and 1 June 2020 respectively.

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

CONTINGENT LIABILITIES

As at 30 September 2020, the Group provided guarantees of surety bonds of HK\$5.9 million (31 March 2020: HK\$7.1 million) in respect of 4 (31 March 2020: 4) construction contract(s) 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 September 2020, the Group had a total of 91 (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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Details of business objectives are set out in the section headed “Business – Business Strategies” of the prospectus dated 18 December 2017 of the Company (the “Prospectus”).

Business objectives	Business objectives as stated in the Prospectus	Actual business progress up to 30 September 2020
Further strengthen our market leading position in the fit-out industry in Hong Kong	<ul style="list-style-type: none">• By taking on more and larger-size projects in the Grade A office premises.	The Group has been pitching for projects continuously. The Group was awarded (i) three bare shell fit-out projects with a contract sum of HK\$38.1 million, HK\$83.8 million, HK\$44.8 million; (ii) a bare shell fit-out project with a contract sum of HK\$95.8 million; and (iii) a bare shell fit-out project with a contract sum of HK\$53.4 million as disclosed in the announcements dated 27 July 2018, 20 September 2018 and 14 January 2019, respectively.
Expand our project management and client care teams	<ul style="list-style-type: none">• By recruiting additional manpower with project management experience to form a designated client servicing team which serves as a direct and regular liaison point for our new and recurring clients;• By expanding our project and construction management teams to enhance our execution capabilities in light of our upcoming project pipeline;• By recruiting additional project managers, site supervisors, site managers, quantity surveyors and MEP specialists to expand our project execution capacity; and• By recruiting extra experienced safety and quality control consultants.	The Group has recruited 39 employees in their capacity as project manager, project supervisor, project coordinator, project executive, site manager, site supervisor, registered safety supervisor, registered safety officer, quantity surveyor and surveying officer.

Business objectives	Business objectives as stated in the Prospectus	Actual business progress up to 30 September 2020
Continue to enhance our project implementation system and develop new management system and technology	<ul style="list-style-type: none"> By improving our existing standardised project management and execution system to enhance its usability and intuitiveness. 	The Group is in the progress of developing the project management and execution system with enhanced usability and intuitiveness.
Pursue suitable acquisition, partnership and investment opportunities	<ul style="list-style-type: none"> By selectively invest in or enter into strategic partnerships with other industry players, such as other peer interior fit-out solution providers in the Grade A office market, to further broaden our collective expertise and resources. 	The acquisition of Core Group Holding Limited and Siwu Architectural (Guangzhou) Limited have been completed on 12 April 2018 and 8 May 2018 respectively.

CHANGE IN USE OF PROCEEDS

The net proceeds from the listing of the Shares, after deducting the underwriting commission and related expenses, were HKD56.9 million (the “**Net Proceeds**”). As at 30 September 2020, the unutilised Net Proceeds of the Group amounted to HKD3.3 million.

Having considered the current business needs of the Company, the Board resolved to reallocate the unutilised Net Proceeds in the following manner:

Proposed use of net proceeds	Intended use of the net proceeds as stated in the Prospectus <i>(HK\$ million)</i>	Percentage of intended use of the net proceeds as stated in the Prospectus <i>%</i>	Intended use of the net proceeds as stated in the Prospectus up to 30 September 2020 <i>(HK\$ million)</i>	Actual use of net proceeds up to 30 September 2020 <i>(HK\$ million)</i>	Unutilised net proceeds up to 30 September 2020 <i>(HK\$ million)</i>
(i) For project execution and start-up costs for projects	34.2	60.1%	34.2	34.2	–
(ii) For recruiting high calibre and experienced managers and supervisors for the expansion of our project teams and renting additional office space	11.4	20.0%	7.7	7.7	3.3
(iii) For revamping our project management and execution system	4.0	7.0%	4.0	0.7	(3.3)
(iv) For implementation of ERP system	1.7	3.0%	1.7	1.7	–
(v) For additional working capital and other general corporate purpose	5.6	9.9%	4.6	4.6	–
Total	56.9	100.0%	52.2	48.9	–

The business objectives, future plans and intended use of the proceeds as stated in 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 its industry.

Reasons for and benefits of the change in use of proceeds

The Company had planned to use HKD4.0 million of the Net Proceeds for revamping our project management and execution system to enhance its operational efficiency, and HKD0.7 million had been utilised for such purpose. During the year ended 31 March 2020, the Group failed to reach an agreement with the vendor in relation to the transfer of patent rights of the conceptual framework of the project management and executive system (the "**Management System**") for the Group's operational use. As at 18 June 2020, the Company has yet to identify any suitable alternate service providers to resume the design and implementation of the Management System upon research.

Meanwhile, one of our wholly owned subsidiaries requires more high calibre and experienced managers and supervisors to provide a stronger support for the execution of projects awarded. As such, on 18 June 2020, based on the interest of the Company and its Shareholders as a whole, the Board resolved to reallocate HKD3.3 million of the unutilised Net Proceeds, which were originally allocated for revamping our project management and execution system, to supplement for recruiting high calibre and experienced managers and supervisors for the expansion of our project teams and renting additional office space. The Board is of the view that such reallocation of unutilised Net Proceeds will strengthen the efficiency and effectiveness of the capital use, the use of proceeds is appropriately reallocated to better meet the current business needs of the Company, which also enables the Company to invest its financial sources in a more beneficial and effective way so as to cooperate in the future development of the Company and grasp the potential business opportunities in the future.

The Board considers that the development direction of the Company is still in line with the disclosure in the Prospectus in spite of such change in use of Net Proceeds as stated above. The aforesaid change in the use of Net Proceeds will not adversely affect the operation and business of the Group and is in the interest of the Company and its Shareholders as a whole. Save for the aforesaid changes, there is no other change to the use of the Net Proceeds.

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

As at 30 September 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 were as follows:

(A) Long Position in the Company's Shares

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

Notes:

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

(B) Long Position in the Shares of associated corporations

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

Notes:

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

Save as disclosed above, as at 30 September 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 September 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 September 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 announcement, at no time during the six months ended 30 September 2020 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to an arrangement that would enable the Directors or their close associates to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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

Save for the purchase of Shares by the trustee through on-market transactions at prevailing market price as stipulated under the Share Award Scheme (as defined hereinafter), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Current Period.

INTEREST IN COMPETING BUSINESS

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

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

SHARE AWARD SCHEME

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

UPDATE ON DIRECTOR’S INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in details of Director’s information subsequent to the date of the annual report of the Company for the year ended 31 March 2020 are set out below:

Mr. Cheung Chi Man, Dennis was appointed as an independent non-executive director of Lamtex Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1041), from August 2020 to October 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules up to the date of this announcement.

DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

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

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 six months ended 30 September 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 2020 INTERIM REPORT

The 2020 interim report of the Company containing all the information required by GEM Listing Rules will be dispatched to Shareholders and will also be published on the websites of HKEXnews (www.hkexnews.hk) as well as the website of the Company (www.sclhk.com).

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

Hong Kong, 6 November 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.