



SANBASE CORPORATION LIMITED

莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

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

The board (the “**Board**”) of Directors of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 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 AND NINE MONTHS ENDED 31 DECEMBER 2020

	Note	Unaudited			
		Three months ended		Nine months ended	
		31 December		31 December	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	163,438	134,511	465,012	481,905
Cost of sales	5	(152,244)	(117,853)	(428,273)	(436,202)
Gross profit		11,194	16,658	36,739	45,703
Other income	4	1,242	–	3,725	–
Administrative expenses	5	(9,718)	(9,621)	(26,804)	(24,063)
Impairment losses reversed/(recognised) on financial assets	6	1,357	–	(185)	(1,931)
Operating profit		4,075	7,037	13,475	19,709
Finance income		21	137	90	168
Finance costs		(74)	(83)	(210)	(278)
Finance income/(costs) – net	7	(53)	54	(120)	(110)
Profit before income tax		4,022	7,091	13,355	19,599
Income tax expense	9	(633)	(1,545)	(3,411)	(4,495)
Profit for the period		3,389	5,546	9,944	15,104
Other comprehensive income, net of income tax					
<i>Item that may be subsequently reclassified to profit or loss</i>					
– Exchange differences arising on translation of foreign operation		285	219	571	35
Total comprehensive income for the period		3,674	5,765	10,515	15,139

		Unaudited			
		Three months ended		Nine months ended	
		31 December		31 December	
		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	1,975	5,634	8,810	10,225
	Non-controlling interests	1,414	(88)	1,134	4,879
		<u>3,389</u>	<u>5,546</u>	<u>9,944</u>	<u>15,104</u>
Total comprehensive income for the period attributable to:					
	Owners of the Company	2,189	5,617	9,234	10,090
	Non-controlling interests	1,485	148	1,281	5,049
		<u>3,674</u>	<u>5,765</u>	<u>10,515</u>	<u>15,139</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>1.00</u>	<u>2.85</u>	<u>4.45</u>	<u>5.17</u>
		<i>10</i>			

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 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	-	-	-	-	10,225	10,225	4,879	15,104
Other comprehensive (loss)/income for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	(135)	-	(135)	170	35
Total comprehensive (loss)/income for the period	-	-	-	(135)	10,225	10,090	5,049	15,139
Dividends declared	-	(6,200)	-	-	-	(6,200)	-	(6,200)
At 31 December 2019	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>(188)</u>	<u>79,749</u>	<u>135,748</u>	<u>9,995</u>	<u>145,743</u>
At 1 April 2020	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>(144)</u>	<u>85,748</u>	<u>141,791</u>	<u>10,414</u>	<u>152,205</u>
Profit for the period	-	-	-	-	8,810	8,810	1,134	9,944
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	424	-	424	147	571
Total comprehensive income for the period	-	-	-	424	8,810	9,234	1,281	10,515
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,992)	(3,992)
At 31 December 2020	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>280</u>	<u>94,558</u>	<u>151,025</u>	<u>7,703</u>	<u>158,728</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

The unaudited condensed consolidated financial information for the three months and nine months ended 31 December 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 nine months ended 31 December 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 and nine months ended 31 December 2020 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate.

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

Application of new and amendments to HKFRSs

In the current 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 nine months ended 31 December 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. REVENUE AND SEGMENT INFORMATION

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bare shell fit-out	54,117	112,143	247,877	407,099
Restacking	89,581	10,387	186,509	40,088
Reinstatement	11,805	3,799	12,106	16,938
Design	102	1,366	1,022	5,127
Churn works	7,675	6,566	16,445	11,387
Maintenance and others	158	250	1,053	1,266
	<u>163,438</u>	<u>134,511</u>	<u>465,012</u>	<u>481,905</u>

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months and nine months ended 31 December 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 nine months ended 31 December 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 services provided. The Group’s operations and workforce are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group’s revenue from external customers.

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong	161,174	125,801	457,473	444,106
The PRC	2,264	8,710	7,539	37,799
	<u>163,438</u>	<u>134,511</u>	<u>465,012</u>	<u>481,905</u>

Information about major customers

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

	Unaudited	
	Nine months ended	
	31 December	
	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer A	109,162	N/A (<i>Note</i>)
Customer B	100,997	N/A (<i>Note</i>)
Customer C	N/A (<i>Note</i>)	57,463

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

4. OTHER INCOME

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Government subsidies (<i>Note</i>)	1,242	–	3,725	–

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.

5. EXPENSES BY NATURE

The Group’s profits for the three months and nine months ended 31 December 2020 and 2019 are stated after charging the following cost of sales and administrative expenses:

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting charges	144,268	107,314	398,360	406,383
Staff costs (<i>Note 8</i>)	11,037	11,977	32,842	31,298
Cleaning expenses	660	1,976	5,595	6,908
Insurance expenses	496	1,282	3,145	2,863
Security expenses	3	351	310	361
Operating lease payments	3	37	9	70
Auditor’s remuneration	331	62	1,149	893
Depreciation on right-of-use assets	778	646	2,244	1,929
Depreciation on property, plant and equipment	275	305	835	872
Amortisation of intangible assets	44	48	131	169
Legal and professional fees	2,929	909	6,740	3,951
Other expenses	1,138	2,567	3,717	4,568
Total cost of sales and administrative expenses	161,962	127,474	455,077	460,265

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

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses reversed/ (recognised) in respect of:				
– Trade receivables	1,343	–	(455)	(1,931)
– Contract assets	14	–	270	–
	<u>1,357</u>	<u>–</u>	<u>(185)</u>	<u>(1,931)</u>

7. FINANCE INCOME/(COSTS) – NET

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	21	137	90	168
Bank interest expense on bank borrowings	–	(6)	–	(49)
Interest expense on lease liabilities	(74)	(77)	(210)	(229)
	<u>(53)</u>	<u>54</u>	<u>(120)</u>	<u>(110)</u>

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	10,659	11,472	31,739	30,139
Retirement benefits contributions	378	505	1,103	1,159
	<u>11,037</u>	<u>11,977</u>	<u>32,842</u>	<u>31,298</u>

9. INCOME TAX EXPENSE

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax				
– Hong Kong profits tax	736	951	3,426	3,451
– PRC enterprise income tax	(61)	516	41	1,429
Deferred tax	(42)	78	(56)	(385)
	<u>633</u>	<u>1,545</u>	<u>3,411</u>	<u>4,495</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.

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under share award scheme during the three months and nine months ended 31 December 2020 and 2019.

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	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	1,975	5,634	8,810	10,225
Weighted average number of ordinary shares in issue less shares held under share award scheme ('000)	<u>197,944</u>	<u>197,944</u>	<u>197,944</u>	<u>197,944</u>
Basic earnings per ordinary share (<i>HK cents</i>)	<u>1.00</u>	<u>2.85</u>	<u>4.45</u>	<u>5.17</u>

(b) Diluted

There were no outstanding share options as at 31 December 2020 and 2019 and have no potential dilutive ordinary share in issue. Accordingly, diluted earnings per share is equal to basic earnings per share.

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2020 and 2019.

12. RELATED PARTIES TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months and nine months ended 31 December 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		Nine months ended	
	31 December		31 December	
	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	1,410	6,030	4,230
Retirement benefits contributions	<u>18</u>	<u>14</u>	<u>54</u>	<u>41</u>
	<u>2,028</u>	<u>1,424</u>	<u>6,084</u>	<u>4,271</u>

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	Unaudited	Audited
	As at	As at
	31 December	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surety bonds	<u>5,966</u>	<u>7,084</u>

As at 31 December 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. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the nine months ended 31 December 2020 (the "**Current Period**"), the Group recorded a slight decrease in revenue of 3.5% to HK\$465.0 million from HK\$481.9 million for the nine months ended 31 December 2019 (the "**Previous Period**"). The decrease was mainly attributable to the revenue contributed from restacking and churn works were able to mostly offset the decrease in revenue from the business of bare shell fit-out. The Group's gross profit decreased to HK\$36.7 million for the Current Period from HK\$45.7 million for the Previous Period, representing a decrease of 19.6%, which was mainly due to the fact that the Group intentionally boosted its winning chance with a lower tendering price, and therefore, profit margins of certain projects have declined.

The Group's profit attributable to owners of the Company decreased by 13.8% to HK\$8.8 million for the Current Period from HK\$10.2 million for the Previous Period.

OUTLOOK

Heading into 2021, the disruption brought by COVID-19 still lingers, but with the rollout of the mass vaccination programme, there is the hope that the pandemic could be brought under control, and the Hong Kong economy could soon achieve a gradual recovery. The Savills Hong Kong stated in its recent report that cross-border traffic could recommence progressively by mid-2021 if the pandemic could be put under control for a sustained period, and that would in turn, stimulate a rebound in Grade A offices rent rates as a result of the drop of the vacancy rate, as well as the demand for bare shell fit-out services. Furthermore, the Group's fit-out services have proved to be essential to different kinds of interior fit-out needs such as reducing office area, rezoning, changing use and rescaling of office partitions and interior minor works. Such inelastic demand should be able to provide a downside protection to the Group's business.

It is also worth noting that various multinational enterprises have already seized the opportunity from rental adjustment and undertook more or bigger Grade A offices, which implies that the current rent rates have decreased to an attractive level. After observing such development, the Group believes that there will be an increasing number of companies to rent the Grade A offices, further bolstering the Group's business growth.

Until the macro uncertainties are lifted, the Group will continue to place a strong emphasis on solidifying its core businesses, while exploring suitable opportunities which will lay the foundation to increase its market share once the economy begins to recover. The Group will look to strengthen the collaboration with existing clients, provide more interior fit-out related services to commercial properties, and explore the opportunity of working with the property management companies and other real estate developers to boost organic growth. Meanwhile, the Group will endeavour to optimize the current selection of sub-contractors, by optimizing its sub-contractor portfolio with best-in-class services and competitive price offerings, all in the hope to create a healthy and mutually-beneficial industry environment.

In view of the continuing pandemic and various market risk factors, the Group is proactively considering the future development of its recently acquired financing business, while making suitable adjustments based on both internal and macro factors. In the long run, fit-out services will stand as the crucial pillar of the Group, and we endeavour to drive improvement across our business portfolio in order to create a prosperous return for our shareholders.

FINANCE REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn works; and (vi) maintenance and others. During the Current Period, the Group's revenue slightly decreased by 3.5% to HK\$465.0 million (Previous Period: HK\$481.9 million). The decrease was mainly attributable to the revenue contributed from restacking and churn works were able to mostly offset the decrease in revenue from the business of bare shell fit-out.

The following table sets forth a breakdown of the Group's revenue by project types for the nine months ended 31 December 2020 and 2019:

Project type	Unaudited			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Bare shell fit-out	247,877	53.3	407,099	84.5
Restacking	186,509	40.1	40,088	8.3
Reinstatement	12,106	2.6	16,938	3.5
Design	1,022	0.2	5,127	1.1
Churn works	16,445	3.6	11,387	2.4
Maintenance and others	1,053	0.2	1,266	0.2
Total	465,012	100.0	481,905	100.0

As shown in above table, our bare shell fit-out contributed to 53.3% and 84.5% of the Group's total revenue for the nine months ended 31 December 2020 and 2019 respectively. Revenue from bare shell fit-out decreased to HK\$247.9 million for the Current Period from HK\$407.1 million for the Previous Period, representing a decrease of 39.1%. Meanwhile, revenue from restacking increased to HK\$186.5 million for the Current Period from HK\$40.1 million for the Previous Period, representing an increase of 3.65 times.

From 1 April 2020 and up to the date of this announcement, we were newly awarded a total of 24 bare shell fit-out projects with a total project sum of HK\$176.9 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\$436.2 million for the Previous Period to HK\$428.3 million for the Current Period, representing a decrease of 1.8%.

Defined as revenue less subcontracting costs, cleaning expenses, insurance expenses and security expenses, direct margin of the Group indicates the overall project profitability before taking into account of other fixed costs. The following table sets forth the breakdown of the Group's direct margin by project types for the nine months ended 31 December 2020 and 2019:

	Unaudited			
	Nine months ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>
Project type				
Bare shell fit-out	30,974	12.5	49,350	12.1
Restacking	23,792	12.8	5,328	13.3
Reinstatement	74	0.6	981	5.8
Design	858	84.0	3,480	67.9
Churn works	2,187	13.3	5,125	45.0
Maintenance and others	143	13.6	967	76.4
Total	58,028	12.5	65,231	13.5

The Group's overall direct margin decreased to HK\$58.0 million for the Current Period from HK\$65.2 million for the Previous Period. Such decrease in the direct margin was primarily due to the increase of direct margin for restacking to HK\$23.8 million offset by the decrease of bare shell fit-out, design and churn works for the Current Period.

Other income

The Group's other income amounted to HK\$3.7 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 amounted to HK\$26.8 million for the Current Period, representing an increase of HK\$2.7 million or 11.4% as compared to that of HK\$24.1 million for the Previous Period. Such increase was primarily attributable to an increase in staff cost and legal and professional fee.

Finance costs

The Group's finance costs for the Current Period mainly comprise interest on the lease liabilities after the coming into effect of HKFRS 16. Finance costs decreased to HK\$0.2 million for the Current Period from HK\$0.3 million for the Previous Period.

Income tax expense

The Group's income tax expense for the Current Period was HK\$3.4 million, representing a decrease of HK\$1.1 million, as compared to HK\$4.5 million for the Previous Period.

Profit for the period

The Group's profit for the period decreased to HK\$9.9 million for the Current Period from HK\$15.1 million for the Previous Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company amounted to HK\$8.8 million for the Current Period, representing a decrease of HK\$1.4 million, as compared with HK\$10.2 million for the Previous Period.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Current Period, the Group financed its operation by its internal resources. As at 31 December 2020, the Group had net current assets of HK\$134.7 million (31 March 2020: HK\$128.2 million), including cash and cash equivalents balances of HK\$111.2 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 1.7 times as at 31 December 2020 (31 March 2020: 1.6 times). The gearing ratio of the Group as at 31 December 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 31 December 2020. The equity attributable to owners of the Company amounted to HK\$151.0 million as at 31 December 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 31 December 2020 and 31 March 2020, the Group had not pledged any assets to secure bank facilities or finance lease obligation.

CAPITAL COMMITMENTS

As at 31 December 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 license 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 nine months ended 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group provided guarantees of surety bonds of HK\$6.0 million (31 March 2020: HK\$7.1 million) in respect of 4 (31 March 2020: 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 31 December 2020, the Group had a total of 88 (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.

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

As at 31 December 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 31 December 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 31 December 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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 Chun 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 nine months ended 31 December 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 THIRD QUARTERLY REPORT

The 2020 third quarterly 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, 5 February 2021

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