



SANBASE CORPORATION LIMITED

莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2021**

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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.*

2021 FIRST QUARTERLY RESULTS

The Board of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, are as follows:

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

FOR THE THREE MONTHS ENDED 30 JUNE 2021

| | | Unaudited | |
|--|------|----------------------------|-----------|
| | | Three months ended 30 June | |
| | | 2021 | 2020 |
| | Note | HK\$'000 | HK\$'000 |
| Revenue | 3 | 88,483 | 144,950 |
| Cost of sales | 5 | (81,298) | (129,750) |
| Gross profit | | 7,185 | 15,200 |
| Other income | 4 | – | 621 |
| Administrative expenses | 5 | (6,434) | (7,230) |
| Provision for impairment losses on financial assets | 6 | (552) | – |
| Operating profit | | 199 | 8,591 |
| Finance income | | 41 | 59 |
| Finance costs | | (56) | (66) |
| Finance costs – net | 7 | (15) | (7) |
| Profit before income tax | | 184 | 8,584 |
| Income tax expense | 9 | (456) | (2,074) |
| (Loss)/profit for the period | | (272) | 6,510 |
| 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 | | 95 | 7 |
| Total comprehensive (loss)/income for the period | | (177) | 6,517 |

| | Unaudited | |
|--|-----------------------------------|-------------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit for the period attributable to: | | |
| Owners of the Company | (582) | 4,638 |
| Non-controlling interests | 310 | 1,872 |
| | <u> </u> | <u> </u> |
| | (272) | 6,510 |
| | <u> </u> | <u> </u> |
| Total comprehensive (loss)/income | | |
| for the period attributable to: | | |
| Owners of the Company | (520) | 4,643 |
| Non-controlling interests | 343 | 1,874 |
| | <u> </u> | <u> </u> |
| | (177) | 6,517 |
| | <u> </u> | <u> </u> |
| | <i>HK Cents</i> | <i>HK Cents</i> |
| (Loss)/earnings per share attributable to | | |
| owners of the Company | | |
| Basic and diluted | <i>10</i> (0.29) | 2.34 |
| | <u> </u> | <u> </u> |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2021**

| | 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 2020 | 1,553 | 57,632 | (2,998) | (144) | 85,748 | 141,791 | 10,414 | 152,205 |
| Profit for the period | - | - | - | - | 4,638 | 4,638 | 1,872 | 6,510 |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences arising on translation of foreign operation | - | - | - | 5 | - | 5 | 2 | 7 |
| Total comprehensive income for the period | - | - | - | 5 | 4,638 | 4,643 | 1,874 | 6,517 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | (3,992) | (3,992) |
| At 30 June 2020 | <u>1,553</u> | <u>57,632</u> | <u>(2,998)</u> | <u>(139)</u> | <u>90,386</u> | <u>146,434</u> | <u>8,296</u> | <u>154,730</u> |
| At 1 April 2021 | 1,553 | 57,632 | (2,998) | 269 | 86,028 | 142,484 | 6,721 | 149,205 |
| (Loss)/profit for the period | - | - | - | - | (582) | (582) | 310 | (272) |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences arising on translation of foreign operation | - | - | - | 62 | - | 62 | 33 | 95 |
| Total comprehensive (loss)/income for the period | - | - | - | 62 | (582) | (520) | 343 | (177) |
| At 30 June 2021 | <u>1,553</u> | <u>57,632</u> | <u>(2,998)</u> | <u>331</u> | <u>85,446</u> | <u>141,964</u> | <u>7,064</u> | <u>149,028</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 ended 30 June 2021 have been reviewed by the audit committee of the Company ("Audit Committee") but have not been reviewed or audited by the Company's auditor.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months ended 30 June 2021 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 2021.

The unaudited condensed consolidated financial information for the three months ended 30 June 2021 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

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

The 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 significant accounting policies that have been used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2021 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2021 included in the 2021 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 30 June | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Bare shell fit-out | 47,679 | 129,472 |
| Restacking | 25,093 | 7,561 |
| Reinstatement | 3,090 | 216 |
| Design | 2,917 | 517 |
| Churn works | 9,689 | 6,763 |
| Maintenance and others | 15 | 421 |
| | 88,483 | 144,950 |
| | 88,483 | 144,950 |

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months ended 30 June 2021 and 2020.

The executive Directors have been identified as the chief operating decision makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of interior fit-out solutions in Hong Kong and the PRC for the three months ended 30 June 2021 and 2020. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Directors regard the Group's business as a single operating segment and review consolidated financial information accordingly. The Group primarily operates in Hong Kong and started its business in the PRC in May 2018. Revenue generated from customers in the PRC is also related to the provision of interior fit-out solutions and the reported geographical segment information is presented as below:

Geographical information

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

| | Unaudited | |
|-----------|----------------------------|-----------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 82,943 | 143,533 |
| The PRC | 5,540 | 1,417 |
| | 88,483 | 144,950 |
| | 88,483 | 144,950 |

Information about major customers

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

| | Unaudited | |
|------------|----------------------------|------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Customer A | 21,589 | N/A (Note) |
| Customer B | N/A (Note) | 63,753 |
| Customer C | N/A (Note) | 19,479 |
| Customer D | N/A (Note) | 16,933 |

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

4. OTHER INCOME

| | Unaudited | |
|----------------------|----------------------------|----------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Government subsidies | – | 621 |

The amount represents government grant in respect of the Employment Support Scheme received from the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or other contingencies attaching to the grant. The Group did not benefit directly from any other forms of government assistance.

5. EXPENSES BY NATURE

The Group's profit for the three months ended 30 June 2021 and 2020 are stated after charging the following cost of sales and administrative expenses:

| | Unaudited | |
|---|----------------------------|----------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Subcontracting charges | 73,966 | 117,239 |
| Staff costs (Note 8) | 10,300 | 10,832 |
| Cleaning expenses | 417 | 2,755 |
| Insurance expenses | 594 | 862 |
| Security expenses | 51 | 96 |
| Short-term lease payments | 30 | – |
| Depreciation on right-of-use assets | 801 | 686 |
| Depreciation on property, plant and equipment | 357 | 289 |
| Amortisation of intangible assets | – | 214 |
| Legal and professional fees | 452 | 2,773 |
| Other expenses | 764 | 1,234 |
| Total cost of sales and administrative expenses | 87,732 | 136,980 |

6. PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | Unaudited | |
|---|-----------------------------------|-----------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Impairment losses provided in respect of: | | |
| – Trade receivables | 299 | – |
| – Contract assets | 253 | – |
| | <hr/> | <hr/> |
| | 552 | – |
| | <hr/> <hr/> | <hr/> <hr/> |

7. FINANCE COSTS – NET

| | Unaudited | |
|---------------------------------------|-----------------------------------|-----------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Interest income from bank deposits | 41 | 59 |
| Interest expense on lease liabilities | (56) | (66) |
| | <hr/> | <hr/> |
| | (15) | (7) |
| | <hr/> <hr/> | <hr/> <hr/> |

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

| | Unaudited | |
|-----------------------------------|-----------------------------------|-----------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Salaries, bonuses and allowances | 9,878 | 10,466 |
| Retirement benefits contributions | 422 | 366 |
| | <hr/> | <hr/> |
| | 10,300 | 10,832 |
| | <hr/> <hr/> | <hr/> <hr/> |

9. INCOME TAX EXPENSE

| | Unaudited | |
|-----------------------------|----------------------------|--------------|
| | Three months ended 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – Hong Kong profits tax | 346 | 2,077 |
| – PRC enterprise income tax | 195 | 36 |
| Deferred tax | (85) | (39) |
| | <u>456</u> | <u>2,074</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% (2020: 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. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under share award scheme during the three months ended 30 June 2021 and 2020.

| | Unaudited Three months ended 30 June | |
|--|---|----------------|
| | 2021 | 2020 |
| (Loss)/profit attributable to owners of the Company (HK'000) | (582) | 4,638 |
| Weighted average number of ordinary shares in issue less shares held under share award scheme (in thousand) | <u>197,944</u> | <u>197,944</u> |
| Basic (loss)/earnings per ordinary share (HK cents) | <u>(0.29)</u> | <u>2.34</u> |

(b) Diluted

There were no outstanding share options as at 30 June 2021 and 2020 and have no potential dilutive ordinary share in issue. Accordingly, diluted (loss)/earnings per share is equal to basic (loss)/earnings per share.

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2021 and 2020.

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 ended 30 June 2021 and 2020.

Compensation of key management

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

| | Unaudited Three months ended 30 June | |
|-----------------------------------|---|--------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Salaries, bonuses and allowances | 2,010 | 1,307 |
| Retirement benefits contributions | <u>18</u> | <u>23</u> |
| | <u>2,028</u> | <u>1,330</u> |

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

| | Unaudited As at 30 June 2021 <i>HK\$'000</i> | Audited As at 31 March 2021 <i>HK\$'000</i> |
|--------------|--|--|
| Surety bonds | <u>6,045</u> | <u>16,242</u> |

As at 30 June 2021, the Group provided guarantees of surety bonds in respect of 3 (31 March 2021: 5) 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 labor, providing expertise such as controlling the quality aspects of the projects and carrying out corresponding project management.

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

During the three months ended 30 June 2021 (the "**Current Period**"), the Group recorded a decrease in revenue of approximately 39.0% to approximately HK\$88.5 million from approximately HK\$145.0 million for the three months ended 30 June 2020 (the "**Previous Period**"). The decrease was mainly attributable to the the combined effect of the facts that (i) the prolonged adverse effect on economy of Hong Kong brought by the constant spread of COVID-19 virus worldwide, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects; and (ii) we have been aggressively in tendering for new projects with relatively lower bidding prices of projects to secure a higher chance of success of bidding. As a result, the Group's gross profit decreased to HK\$7.2 million for the Current Period from HK\$15.2 million for the Previous Period, representing a decrease of 52.7%.

The Group recorded a loss attributable to owners of the Company in the amount of approximately HK\$0.6 million for the Current Period from the profit attributable to owners of the Company in the amount of approximately HK\$4.6 million for the Previous Period, representing a decrease of 112.5%.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn works; and (vi) maintenance and others. During the Current Period, the Group's revenue decreased by approximately 39.0% to approximately HK\$88.5 million (Previous Period: HK\$145.0 million). The decrease is mainly attributable to the combined effect of the facts that (i) the prolonged adverse effect on economy of Hong Kong brought by the constant spread of COVID-19 virus worldwide, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects; and (ii) we have been aggressively in tendering for new projects with relatively lower bidding prices of projects to secure a higher chance of success of bidding.

The following table sets forth a breakdown of the Group's revenue by project types for the three months ended 30 June 2021 and 2020:

| Project type | Unaudited | | | |
|------------------------|----------------------------|--------------|----------------|--------------|
| | Three months ended 30 June | | | |
| | 2021 | | 2020 | |
| | HK\$'000 | % | HK\$'000 | % |
| Bare shell fit-out | 47,679 | 53.9 | 129,472 | 89.3 |
| Restacking | 25,093 | 28.3 | 7,561 | 5.2 |
| Reinstatement | 3,090 | 3.5 | 216 | 0.1 |
| Design | 2,917 | 3.3 | 517 | 0.4 |
| Churn works | 9,689 | 11.0 | 6,763 | 4.7 |
| Maintenance and others | 15 | 0.0 | 421 | 0.3 |
| Total | 88,483 | 100.0 | 144,950 | 100.0 |

As shown in above table, our bare shell fit-out contributed to approximately 53.9% and 89.3% of the Group's total revenue for the three months ended 30 June 2021 and 2020 respectively. Revenue from bare shell fit-out decreased to approximately HK\$47.7 million for the Current Period from approximately HK\$129.5 million for the Previous Period, representing an decrease of approximately 63.2%.

From 1 April 2021 and up to the date of this quarterly results announcement, we were newly awarded a total of 6 bare shell fit-out projects with a total project sum of approximately HK\$31.8 million.

Cost of sales and Direct margin

The Group's cost of sales mainly comprised subcontracting charges and staff costs. The decrease in cost of sales from HK\$129.8 million for the Previous Period to HK\$81.3 million for the Current Period, representing an decrease of approximately 37.3%.

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 three months ended 30 June 2021 and 2020:

| Project type | Unaudited Three months ended 30 June | | | |
|------------------------|---|-------------|---------------|-------------|
| | 2021 | % of | 2020 | % of |
| | HK\$'000 | revenue | HK\$'000 | revenue |
| Bare shell fit-out | 9,785 | 20.5 | 18,181 | 14.0 |
| Restacking | 2,857 | 11.4 | 836 | 11.1 |
| Reinstatement | 352 | 11.4 | 22 | 10.2 |
| Design | 142 | 4.9 | 481 | 93.0 |
| Churn works | 374 | 3.9 | 1,457 | 21.5 |
| Maintenance and others | 4 | 24.3 | 295 | 70.1 |
| Total | 13,514 | 15.3 | 21,272 | 14.7 |

The Group's overall direct margin decreased to approximately HK\$13.5 million for the Current Period from approximately HK\$21.3 million for the Previous Period. Such decrease in the direct margin was primarily attributable to the fact that the prolonged adverse effect on economy of Hong Kong brought by the constant spread of COVID-19 virus worldwide, in which certain project owners and/or customers have suffered tight cashflow, leading to postponement and/or slowdown in certain projects.

Other income

The Group's other income amounted to HK\$0.6 million for the Previous Period (Current 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 approximately HK\$6.4 million for the Current Period, representing a decrease of HK\$0.9 million or 11.0% as compared to that of HK\$7.2 million for the Previous Period. Such decrease was primarily attributable to decrease in 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 approximately HK\$56,000 for the Current Period from approximately HK\$66,000 for the Previous Period.

Income tax expense

The Group's income tax expense for the Current Period was approximately HK\$0.5 million, representing a decrease of HK\$1.6 million as compared to HK\$2.1 million for the Previous Period.

(Loss)/profit for the period

The Group recorded a loss in the amount of approximately HK\$0.3 million for the Current Period from the profit in the amount of approximately HK\$6.5 million for the Previous Period, representing a decrease of 104.2%.

(Loss)/profit attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company in the amount of approximately HK\$0.6 million for the Current Period from the profit attributable to owners of the Company in the amount of approximately HK\$4.6 million for the Previous Period, representing a decrease of 112.5%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Current Period, the Group financed its operation by its internal resources and granted bank facility. As at 30 June 2021, the Group had net current assets of approximately HK\$117.9 million (31 March 2021: HK\$117.8 million), including cash and cash equivalents balances of approximately HK\$105.3 million (31 March 2021: HK\$112.5 million) mainly denominated in Hong Kong dollars.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.9 times as at 30 June 2021 (31 March 2021: 2.0 times). The gearing ratio of the Group as at 30 June 2021 was nil (31 March 2021: nil). The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

There has been no change in capital structure of the Company as at 30 June 2021. The equity attributable to owners of the Company amounted to approximately HK\$142.0 million as at 30 June 2021 (31 March 2021: HK\$142.5 million).

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

PLEDGE OF ASSETS

As at 30 June 2021 and 31 March 2021, the Group had not pledged any assets to secure bank facilities or finance lease obligation.

CAPITAL COMMITMENTS

As at 30 June 2021 and 31 March 2021, the Group had no capital commitment.

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

During the Current Period, the Group did not have any significant investment, material acquisition or disposal.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group provided guarantees of surety bonds of approximately HK\$6.0 million (31 March 2021: HK\$16.2 million) in respect of 3 construction contracts of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

HUMAN RESOURCES MANAGEMENT

As at 30 June 2021, the Group had a total of 82 (31 March 2021: 87) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

OUTLOOK

Heading into the second half of 2021, the demand for premium office fit-out services in Hong Kong is expected to remain weak, and it is believed that it may take some more time for business activities to fully return to pre-pandemic levels. As reflected in the recent data from Jones Lang LaSalle, the vacancy rate of Grade A commercial offices in the first half year is still on the high side, the Group expects that the fit-out service industry will be under pressure in the short term. Meanwhile, the Group will closely monitor the market, adjust its strategies and proactively seek new opportunities, in the hope of surmounting the current challenges with Hong Kong's economy.

On the other hand, the PRC has managed to take a step earlier than Hong Kong to shake off the COVID-19 pandemic, while its economic recovery has also been accelerated. The Group is expecting our PRC's business to carry its momentum to perform even better in the first quarter in this year. The Group will strengthen its foothold in the PRC, and actively seek feasibility of collaboration opportunities with property management companies and developers in the Greater Bay Area, aiming to award more contracts and in turn reduce its geographical risks.

In the long run, fit-out services will continue to be the Group's focus. Following more Chinese concept stocks companies are planning to list on the Hong Kong Stock Exchange and gradual stability of the COVID-19 pandemic, steady rebound of Hong Kong's economy is anticipated. By then, the Group expects demand of leasing market for Grade A offices would gradually pick up, which in turn, would provide a boost to our mid- to long-term business development. The Group will make use of its established market presence and technical know-how over the years, and explore collaboration opportunities with different stakeholders, so as to consolidate and further expand its business performance across Hong Kong and the PRC. Besides, the Group will continue to wait for the optimal timing to launch its financing business. Apart from satisfying market demand, it shall inject new and diversified impetus to the Group's long-term business growth.

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

As at 30 June 2021, 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 5.67 of the GEM Listing Rules relating to the securities transactions by the directors.

(A) Long Position in the Company's Shares

| Name of Directors/ chief executive | Capacity/ nature of interest | Number of issued shares held/ interested in | Approximate percentage of the issued share capital |
|---|---|--|---|
| 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:

1. 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 Part XV of the SFO.
2. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in the 112,500,000 Shares held by him through his controlled corporation, Madison Square International Investment Limited, pursuant to Part XV of the SFO.
3. Shares in which Mr. Wong Kin Kei is interested in consist of 37,500,000 Shares held by J&J Partner Investment Group Limited, a company wholly owned by him, in which Mr. Wong Kin Kei is deemed to be interested under Part XV of 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 Part XV of the SFO.
2. Under Part XV of the SFO, a holding company of the listed corporation is regarded as an "associated corporation." Madison Square International Investment Limited held 56.25% of our issued share capital and thus was our associated corporation.
3. Under Part XV of the SFO, a holding company of the listed corporation is regarded as an "associated corporation." J&J Partner Investment Group Limited held 18.75% of our issued share capital and thus was our associated corporation.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company nor their close associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

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

As at 30 June 2021, 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 Part XV of 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 Part XV of 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 Part XV of 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 Part XV of the SFO.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this quarterly results announcement, at no time during the three months ended 30 June 2021 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors or their close associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Save for the purchase of Shares by the trustee through on- market transactions at prevailing market price as stipulated under the Share Award Scheme (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 which any such person has or may have with the Group during the Current Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the three months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied throughout the three months ended 30 June 2021 with all the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules, except the following deviation:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong, holds both positions. Mr. Wong has been primarily responsible for overseeing the Group’s management and business development and formulating business strategies and policies of the Group since 2009. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2021 and 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 two independent non-executive Directors namely Mr. Cheung Chi Man, Dennis and Mr. Chan Chi Kwong, Dickson, and chaired by Mr. Cheung Chi Man, Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

Following the retirement of Mr. Pang Chung Fai, Benny as an independent non-executive Director at the conclusion of the annual general meeting of the Company dated 30 July 2021, the Company will not be able to comply with Rule 5.28 of the GEM Listing Rules, which stipulates that the audit committee of a listed issuer must comprise a minimum of three members of non-executive directors only.

In order to comply with Rules 5.28 of the GEM Listing Rules, the Company is endeavouring to identify a suitable candidate to fill up the casual vacancy as soon as practicable, within three months from 31 July 2021 as prescribed under Rules 5.06 and 5.33 of the GEM Listing Rules, and will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules. Details of this matter have been disclosed in the announcement of the Company dated 30 July 2021 and published on the websites of the Stock Exchange and the Company respectively.

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the three months ended 30 June 2021, 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 THE FIRST QUARTERLY REPORT

The 2021 first quarterly report of the Company containing all the information required by the GEM Listing Rules will be despatched to Shareholders and will also be published on the website of the 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, 9 August 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 and Mr. Chan Chi Kwong Dickson being the independent non-executive Directors.

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com 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.