



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 2022**

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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.*

2022 FIRST QUARTERLY RESULTS

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 ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, are as follows:

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

FOR THE THREE MONTHS ENDED 30 JUNE 2022

		Three months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	92,043	88,483
Cost of sales	5	(86,277)	(81,298)
Gross profit		5,766	7,185
Other income	4	973	–
Administrative expenses	5	(6,089)	(6,434)
Reversal of/(provision for) impairment losses on financial assets	6	409	(552)
Operating profit		1,059	199
Finance income		50	41
Finance costs		(35)	(56)
Finance costs – net	7	15	(15)
Profit before income tax		1,074	184
Income tax expense	9	(293)	(456)
Profit/(loss) for the period		781	(272)
Other comprehensive (loss)/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		(251)	95
Total comprehensive income/(loss) for the period		530	(177)

		Three months ended 30 June	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		626	(582)
Non-controlling interests		155	310
		<u>781</u>	<u>(272)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		442	(520)
Non-controlling interests		88	343
		<u>530</u>	<u>(177)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted	<i>10</i>	<u>0.32</u>	<u>(0.29)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2022**

	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 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>
At 1 April 2022	1,553	57,632	(2,998)	378	80,293	136,858	5,291	142,149
Profit for the period	-	-	-	-	626	626	155	781
Other comprehensive loss for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	(184)	-	(184)	(67)	(251)
Total comprehensive income/(loss) for the period	-	-	-	(184)	626	442	88	530
Disposals of subsidiaries	-	-	-	-	101	101	-	101
At 30 June 2022	<u>1,553</u>	<u>57,632</u>	<u>(2,998)</u>	<u>194</u>	<u>81,020</u>	<u>137,401</u>	<u>5,379</u>	<u>142,780</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 Act, 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 2022 have been reviewed by the audit committee of the Company (the "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 2022 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 2022.

The unaudited condensed consolidated financial information for the three months ended 30 June 2022 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 2022 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2022 included in the 2022 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	
	2022	2021
	HK\$'000	HK\$'000
Bare shell fit-out	54,663	47,679
Restacking	31,056	25,093
Reinstatement	–	3,090
Design	1,071	2,917
Churn works	4,934	9,689
Maintenance and others	319	15
	<u>92,043</u>	<u>88,483</u>

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months ended 30 June 2022 and 2021.

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 the provision of interior fit-out solutions in Hong Kong and the PRC for the three months ended 30 June 2022 and 2021. 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 is 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	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	91,336	82,943
The PRC	707	5,540
	<u>92,043</u>	<u>88,483</u>

Information about major customers

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

	Unaudited	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Customer A	12,918	N/A (Note)
Customer B	11,999	N/A (Note)
Customer C	10,401	N/A (Note)
Customer D	N/A (Note)	21,589
	<u> </u>	<u> </u>

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

4. OTHER INCOME

	Unaudited	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Government subsidies	973	–
	<u> </u>	<u> </u>

The amount represents government grants in respect of the Employment Support Scheme and the Distance Business Programme provided by the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or other contingencies attached to the grants. 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 2022 and 2021 are stated after charging the following cost of sales and administrative expenses:

	Unaudited	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Subcontracting charges	78,489	73,966
Staff costs (Note 8)	10,158	10,300
Cleaning expenses	884	417
Insurance expenses	563	594
Security expenses	1	51
Short-term lease payments	51	30
Depreciation on right-of-use assets	794	801
Depreciation on property, plant and equipment	280	357
Legal and professional fees	470	452
Other expenses	676	764
	<u> </u>	<u> </u>
Total cost of sales and administrative expenses	<u>92,366</u>	<u>87,732</u>

6. REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Unaudited	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Impairment losses reversed/(provided) in respect of:		
– Trade receivables	372	(299)
– Contract assets	37	(253)
	409	(552)

7. FINANCE COSTS – NET

	Unaudited	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income from bank deposits	50	41
Interest expense on lease liabilities	(35)	(56)
	15	(15)

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Salaries, bonuses and allowances	9,735	9,878
Retirement benefits contributions	423	422
	10,158	10,300

9. INCOME TAX EXPENSE

	Unaudited	
	Three months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	149	346
– PRC enterprise income tax	1	195
Under-provision for prior years	78	–
Deferred tax	65	(85)
	<u>293</u>	<u>456</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% (2021: 8.25%) on the first HK\$2 million (2021: HK\$2 million) of the estimated assessable profits and at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits above HK\$2 million (2021: 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% (2021: 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/(LOSS) 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 2022 and 2021.

	Unaudited	
	Three months ended 30 June	
	2022	2021
Profit/(loss) attributable to owners of the Company (<i>HK'000</i>)	626	(582)
Weighted average number of ordinary shares in issue less shares held under share award scheme (<i>in thousand</i>)	<u>197,944</u>	<u>197,944</u>
Basic earnings/(loss) per ordinary share (<i>HK cents</i>)	<u>0.32</u>	<u>(0.29)</u>

(b) Diluted

There were no outstanding share options as at 30 June 2022 and 2021 and have no potential dilutive ordinary share in issue. Accordingly, diluted earnings/(loss) per share is equal to basic earnings/(loss) per share.

11. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2022 and 2021.

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 2022 and 2021.

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	
	2022	2021
	HK\$'000	HK\$'000
Salaries, bonuses and allowances	2,010	2,010
Retirement benefits contributions	18	18
	<u>2,028</u>	<u>2,028</u>

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	Unaudited	Audited
	As at 30 June	As at 31 March
	2022	2022
	HK\$'000	HK\$'000
Surety bonds	<u>7,031</u>	<u>4,033</u>

As at 30 June 2022, the Group provided guarantees of surety bonds in respect of 3 (31 March 2022: 3) construction contracts 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 the fit-out projects by engaging subcontractors from different industries for their services and labor, providing expertise such as controlling the quality aspects of the projects and carrying out the 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 which already have a basic flooring and plastered walls; (ii) restacking which involves upgrading and re-planning and providing modification works to the existing interior structures of a premise; (iii) reinstatement which involves demolishing any additional moveable structure that the existing tenant installed; (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 2022 (the “**Current Period**”), the Group recorded a revenue of approximately HK\$92.0 million, compared with approximately HK\$88.5 million for the three months ended 30 June 2021 (the “**Previous Period**”), representing an increase of approximately 4.0%. The increase in revenue was mainly attributed to the increase in revenue from the bare shell fit-out and the restacking businesses, both of which were the main sources of our Group's income. The Group's gross profit was approximately HK\$5.8 million for the Current Period compared with approximately HK\$7.2 million for the Previous Period, representing a decrease of approximately 19.7%.

The Group recorded a profit attributable to owners of the Company in the amount of approximately HK\$0.6 million for the Current Period compared with the loss attributable to owners of the Company in the amount of approximately HK\$0.6 million for the Previous Period.

FINANCIAL REVIEW

Revenue

The Group's revenue is generated from the provision of services which include (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) design; (v) churn works; and (vi) maintenance and others. For the Current Period, the revenue of the Group was approximately HK\$92.0 million, representing an increase of approximately 4.0% compared with approximately HK\$88.5 million recorded in the Previous Period. The increase in revenue was mainly attributable to the increase in revenue from the bare shell fit-out and the restacking businesses, both of which were the main source of our Group's income.

The following table sets forth a breakdown of the Group's revenue by project types for the three months ended 30 June 2022 and 2021:

	Unaudited			
	Three months ended 30 June			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Project type				
Bare shell fit-out	54,663	59.4	47,679	53.9
Restacking	31,056	33.7	25,093	28.3
Reinstatement	–	0.0	3,090	3.5
Design	1,071	1.2	2,917	3.3
Churn works	4,934	5.4	9,689	11.0
Maintenance and others	319	0.3	15	0.0
Total	92,043	100.0	88,483	100.0

As shown in the above table, bare shell fit-out contributed to approximately 59.4% and 53.9% of the Group's total revenue for the three months ended 30 June 2022 and 2021 respectively. Revenue from bare shell fit-out was approximately HK\$54.7 million for the Current Period compared with approximately HK\$47.7 million for the Previous Period, representing an increase of approximately 14.6%.

From 1 April 2022 to the date of this announcement, we newly got a total of six bare shell fit-out projects with a total project sum of approximately HK\$100.2 million.

Cost of sales and Direct margin

The Group's cost of sales mainly comprises subcontracting charges and staff costs. Cost of sales was approximately HK\$86.3 million for the Current Period compared with approximately HK\$81.3 million for the Previous Period, representing an increase of approximately 6.1%.

The Group defines direct margin 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 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 2022 and 2021:

	Unaudited			
	2022		2021	
Project type	HK\$'000	% of revenue	HK\$'000	% of revenue
Bare shell fit-out	8,839	16.2	9,785	20.5
Restacking	1,861	6.0	2,857	11.4
Reinstatement	–	–	352	11.4
Design	1,028	96.0	142	4.9
Churn works	470	9.5	374	3.9
Maintenance and others	81	25.2	4	24.3
Total	12,279	13.3	13,514	15.3

The Group's overall direct margin was approximately HK\$12.3 million for the Current Period compared with approximately HK\$13.5 million for the Previous Period, representing a decrease of approximately 9.1%. The direct margin ratio for the Current Period was approximately 13.3%, representing a decrease of 2.0 percentage points compared with approximately 15.3% for the Previous Period. Such decrease was mainly due to the increase in subcontracting charges.

Other income

Other income was approximately HK\$1.0 million for the Current Period (Previous Period: nil) which represented government grants in respect of the Employment Support Scheme and the Distance Business Programme provided by the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or other contingencies attached to the grants. The Group did not benefit directly from any other forms of government assistance.

Administrative expenses

Administrative expenses were approximately HK\$6.1 million for the Current Period, representing a decrease of approximately 5.4% compared with approximately HK\$6.4 million for the Previous Period. Such decrease was primarily attributable to a decrease of approximately HK\$0.3 million in administrative staff costs.

Finance costs

Finance costs comprised mainly the interest on the lease liabilities. Finance costs were approximately HK\$35,000 for the Current Period compared with approximately HK\$56,000 for the Previous Period, representing a decrease of approximately 37.5%.

Income tax expense

Income tax expense for the Current Period was approximately HK\$0.3 million, representing a decrease of approximately 35.7% as compared with approximately HK\$0.5 million for the Previous Period.

Profit/(loss) for the period

The Group recorded a profit of approximately HK\$0.8 million for the Current Period compared with a loss of approximately HK\$0.3 million for the Previous Period.

Profit/(loss) attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately HK\$0.6 million for the Current Period compared with a loss attributable to owners of the Company of approximately HK\$0.6 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. As at 30 June 2022, the Group had net current assets of approximately HK\$111.3 million (31 March 2022: HK\$109.9 million), including cash and cash equivalents balances of approximately HK\$124.3 million (31 March 2022: HK\$119.8 million) mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 times as at 30 June 2022 (31 March 2022: 1.8 times). The gearing ratio of the Group as at 30 June 2022 was nil (31 March 2022: nil). The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

There was no change in capital structure of the Company as at 30 June 2022. The equity attributable to owners of the Company amounted to approximately HK\$137.4 million as at 30 June 2022 (31 March 2022: HK\$136.9 million).

The Group did not make any foreign exchange related hedges for the Current Period and the Previous Period.

PLEDGE OF ASSETS

As at 30 June 2022 and 31 March 2022, the Group had not pledged any assets to secure bank facilities or finance lease obligation.

CAPITAL COMMITMENTS

As at 30 June 2022 and 31 March 2022, the Group did not have any material 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 2022, the Group provided guarantees of surety bonds of approximately HK\$7.0 million (31 March 2022: HK\$4.0 million) in respect of 3 (31 March 2022: 3) construction contracts 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 2022, the Group had a total of 78 (31 March 2022: 83) 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

Entering the second half of 2022, the domestic Grade A office fit-out market is expected to be under sustained pressure, given Hong Kong's sixth wave of the COVID-19 pandemic. Nonetheless, the Hong Kong government continues to promote the development of "The Northern Metropolis", a "Twin Cities, Three Circles" spatial layout that will integrate economic functions with the ecological environment, aiming to re-establish innovation and technology as one of Hong Kong's major economic growth engines, which is the dual-core strategy layout at the Northern Metropolis. In addition, the Hong Kong government is also promoting economic and personnel integration in the Greater Bay Area, which is in line with the strategic plan of the Central Government. Riding on the development of both and support from the strategic plan of the Central Government, it is believed that the development of the Northern Metropolis in Hong Kong would bring ample opportunities to the fit-out market. In order to proactively capture business opportunities and deliver growth, the Group will continue to pay attention to market trends and timely adjust its operation and pricing strategy, in the backdrop of adverse market conditions.

In the longer term, Hong Kong will remain as an international financial center, as well as the bridge connecting the PRC and the world. As countries gradually adapt to the new normal under the pandemic, Hong Kong's economic and trade activities are also expected to return to the usual level, hopefully attracting more domestic and foreign financial and technology companies to set up offices in the city, in turn, will generate massive demand for commercial fit-out. Leveraging the Group's long-established industry reputation, excellent project management team, and solid financial position, we will likely to gain a larger market share and solidify its market position when the industry eventually rebounds.

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 2022, 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 were as follows:

(A) Long Position in the Ordinary Shares and Underlying Shares of the Company

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:

- Shares in which Mr. Wong Sai Chuen is interested 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, is the spouse of Mr. Wong Sai Chuen and she was also deemed to be interested in the 112,500,000 Shares, pursuant to Part XV of the SFO.
- Shares in which Mr. Wong Kin Kei is interested 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 2022, 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 2022, 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 Ordinary Shares and Underlying Shares of the Company

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 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, is the spouse of Mr. Wong Sai Chuen and she was also deemed to be interested in the 112,500,000 Shares, pursuant to Part XV of the SFO.
- Shares in which Mr. Wong Kin Kei is interested 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, is the spouse of Mr. Wong Kin Kei and she was also deemed to be interested in the 37,500,000 Shares, pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2022, 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 three months ended 30 June 2022 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.

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 has lapsed, or have been granted, exercised or cancelled under the Share Option Scheme since its adoption and up to the date of this announcement.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Required Standard of Dealings throughout the three months ended 30 June 2022.

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 2022 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 C.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, being the Chairman and Chief Executive Officer, has been primarily responsible for scrutinizing the performance of management in achieving agreed corporate goals and objectives, monitoring the Group's performance reporting, management and business development, ensuring corporate governance practices and procedures of the Group 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.

EVENT AFTER THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after the three months ended 30 June 2022 and up to the date of this announcement.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2022 (30 June 2021: nil).

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 contained in Appendix 15 of the GEM Listing Rules. Currently, the Audit Committee comprises three independent non-executive Directors, Mr. Cheung Chi Man, Dennis, Mr. Chan Charles Cham Chuen and Mr. Law Chun Yat, and chaired by Mr. Cheung Chi Man, Dennis, who has appropriate professional qualifications and experience as required by Rules 5.05 and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the three months ended 30 June 2022, which is of the opinion that such information has been prepared in accordance with all applicable accounting standards, the requirements under the Hong Kong Companies Ordinance and the GEM Listing Rules.

PUBLICATION OF 2022 FIRST QUARTERLY REPORT

The 2022 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, 10 August 2022

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 Charles Cham Chuen and Mr. Law Chun Yat 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 Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk 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.