



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 2022**

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2022 THIRD 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 and nine months ended 31 December 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 AND NINE MONTHS ENDED 31 DECEMBER 2022

	Note	Unaudited			
		Three months ended 31 December		Nine months ended 31 December	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	174,527	137,803	401,797	348,495
Cost of sales	5	(153,944)	(127,315)	(363,555)	(318,189)
Gross profit		20,583	10,488	38,242	30,306
Other income	4	185	–	1,714	–
Administrative expenses	5	(6,719)	(7,296)	(19,771)	(20,993)
Impairment losses on financial assets	6	(354)	(66)	(660)	(887)
Operating profit		13,695	3,126	19,525	8,426
Finance income		282	28	397	102
Finance costs		(18)	(47)	(79)	(155)
Finance costs – net	7	264	(19)	318	(53)
Profit before income tax		13,959	3,107	19,843	8,373
Income tax expense	9	(2,086)	(1,314)	(3,293)	(3,306)
Profit for the period		11,873	1,793	16,550	5,067
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		38	121	(439)	223
Total comprehensive income for the period		11,911	1,914	16,111	5,290

		Unaudited			
		Three months ended		Nine months ended	
		31 December		31 December	
		2022	2021	2022	2021
Note		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:					
	Owners of the Company	8,378	735	11,935	2,130
	Non-controlling interests	3,495	1,058	4,615	2,937
		<u>11,873</u>	<u>1,793</u>	<u>16,550</u>	<u>5,067</u>
Total comprehensive income					
for the period attributable to:					
	Owners of the Company	8,411	814	11,615	2,275
	Non-controlling interests	3,500	1,100	4,496	3,015
		<u>11,911</u>	<u>1,914</u>	<u>16,111</u>	<u>5,290</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>4.23</u>	<u>0.37</u>	<u>6.03</u>	<u>1.08</u>
		<i>10</i>			

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 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
Profit for the period	-	-	-	-	2,130	2,130	2,937	5,067
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	145	-	145	78	223
Total comprehensive income for the period	-	-	-	145	2,130	2,275	3,015	5,290
At 31 December 2021	1,553	57,632	(2,998)	414	88,158	144,759	9,736	154,495
At 1 April 2022	1,553	57,632	(2,998)	378	80,293	136,858	5,291	142,149
Profit for the period	-	-	-	-	11,935	11,935	4,615	16,550
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operation	-	-	-	(320)	-	(320)	(119)	(439)
Total comprehensive income for the period	-	-	-	(320)	11,935	11,615	4,496	16,111
Deregistration of subsidiaries	-	-	-	-	55	55	-	55
Disposals of subsidiaries	-	-	-	-	101	101	-	101
At 31 December 2022	1,553	57,632	(2,998)	58	92,384	148,629	9,787	158,416

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 and nine months ended 31 December 2022 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 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 and nine months ended 31 December 2022 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

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 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		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bare shell fit-out	116,826	47,272	264,435	143,979
Restacking	52,856	81,567	118,829	164,818
Reinstatement	–	–	400	6,419
Design	1,022	4,219	3,210	7,227
Churn works	3,802	4,668	14,205	24,534
Maintenance and others	21	77	718	1,518
	174,527	137,803	401,797	348,495

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 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 and nine months ended 31 December 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 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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	163,089	127,111	387,856	326,338
The PRC	11,438	10,692	13,941	22,157
	<u>174,527</u>	<u>137,803</u>	<u>401,797</u>	<u>348,495</u>

Information about major customers

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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government subsidies	<u>185</u>	<u>–</u>	<u>1,714</u>	<u>–</u>

The amount represents government grant in respect of the Employment Support Scheme and the Distance Business Programme 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 profits for the three months and nine months ended 31 December 2022 and 2021 are stated after charging the following cost of sales and administrative expenses:

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting charges	145,981	119,645	339,167	294,896
Staff costs (<i>Note 8</i>)	9,838	10,210	30,001	30,740
Cleaning expenses	612	292	2,758	2,062
Insurance expenses	1,208	1,061	2,942	2,248
Security expenses	–	28	1	165
Operating lease payments	262	52	365	135
Auditor's remuneration	341	351	1,022	1,062
Depreciation on right-of-use assets	608	800	2,192	2,332
Depreciation on property, plant and equipment	272	331	832	1,018
Legal and professional fees	457	742	1,535	1,880
Other expenses	1,084	1,099	2,511	2,644
	<u>160,663</u>	<u>134,611</u>	<u>383,326</u>	<u>339,182</u>
Total cost of sales and administrative expenses	<u>160,663</u>	<u>134,611</u>	<u>383,326</u>	<u>339,182</u>

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

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses (recognised)/ reversed in respect of:				
– Trade receivables	(387)	125	(579)	(602)
– Contract assets	33	(191)	(81)	(285)
	<u>(354)</u>	<u>(66)</u>	<u>(660)</u>	<u>(887)</u>

7. FINANCE COSTS – NET

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	282	28	397	102
Interest expense on lease liabilities	(18)	(47)	(79)	(155)
	<u>264</u>	<u>(19)</u>	<u>318</u>	<u>(53)</u>

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	9,446	9,770	28,785	29,438
Retirement benefits contributions	392	440	1,216	1,302
	<u>9,838</u>	<u>10,210</u>	<u>30,001</u>	<u>30,740</u>

9. INCOME TAX EXPENSE

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax				
– Hong Kong profits tax	2,086	1,321	3,248	3,248
– PRC enterprise income tax	–	(84)	1	134
Under-provision for prior year	–	–	135	–
Deferred tax	–	77	(91)	(76)
	<u>2,086</u>	<u>1,314</u>	<u>3,293</u>	<u>3,306</u>

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

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

Under the Law of the PRC on enterprise income tax (“EIT”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (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 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 2022 and 2021.

	Unaudited			
	Three months ended 31 December 2022		Nine months ended 31 December 2022	
	2021	2021	2021	2021
Profit attributable to owners of the Company (<i>HK\$'000</i>)	8,378	735	11,935	2,130
Weighted average number of ordinary shares in issue less shares held under share award scheme (<i>'000</i>)	<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>4.23</u>	<u>0.37</u>	<u>6.03</u>	<u>1.08</u>

(b) Diluted

There were no outstanding share options as at 31 December 2022 and 2021 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 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 and nine months ended 31 December 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		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	2,010	2,010	6,030	6,030
Retirement benefits contributions	18	18	54	54
	2,028	2,028	6,084	6,084

13. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	Unaudited	Audited
	As at	As at
	31 December	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surety bonds	9,255	4,033

As at 31 December 2022, the Group provided guarantees of surety bonds in respect of 5 (31 March 2022: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an interior fit-out solutions provider focused 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 industries for their services and labour, 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 that already has 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 nine months ended 31 December 2022 (the "**Current Period**"), the Group recorded an increase in revenue of 15.3% to HK\$401.8 million from HK\$348.5 million for the nine months ended 31 December 2021 (the "**Previous Period**"). The increase was mainly attributable to the fact that the gradual relaxation of the epidemic prevention policy, the Hong Kong economy, which had been weak for a long time, has been gradually coming out of the doldrums and regaining its pre-epidemic appearance. The Group's gross profit increased to HK\$38.2 million for the Current Period from HK\$30.3 million for the Previous Period, representing an increase of 26.2%.

The Group's profit attributable to owners of the Company increased by 460.3% to HK\$11.9 million for the Current Period from HK\$2.1 million for the Previous Period.

OUTLOOK

Looking back to 2022, though greatly affected by the external environment, the overall demand for the office market in Hong Kong remained stable as well. According to a recent industry report by Jones Lang LaSalle ("**JLL**"), the overall net absorption of office space in Hong Kong reached 2 million square feet in the first 11 months, with rents slightly decreased by 3.3% over the same period of last year, to some extent reflecting the rigid demand in the market. With the gradual and precise epidemic prevention in Mainland China, the Group expects the relaxation of the epidemic prevention policy will continue in Hong Kong, and easier border entry and overseas travel will also contribute to the rapid resumption of all economic activities, which will in turn stimulate demand for Grade A offices and relevant fit-out demand in Hong Kong.

At the same time, as hybrid office models such as working at home emerged during the COVID-19 pandemic period, companies needed to constantly reconceive their workplaces and invest accordingly to adapt to the evolving new role of office buildings. According to the survey by JLL, more than 90% of companies surveyed believe that office space fit-out and supporting facilities are important elements to employee engagement and wellness, and more than 56% of such companies express their plans to establish more open collaborative spaces by 2025. These changes are expected to create opportunities for the Group to a certain extent.

In medium to long term, the Group believes that development plans in areas like the northern metropolitan area and the East Kowloon CBDs will attract more mainland enterprises and even multinational enterprises to locate in these areas, which will certainly boost the demand for office leasing and corresponding fit-out services. With its years of experience in the fit-out industry of Grade A offices, its extensive subcontractor network and its sound financial position, the Group is expected to grasp the potential opportunity of reduced competition and more integration space after the epidemic, increase market share, and capture the Hong Kong and Mainland China markets with higher quality services.

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 increased by 15.3% to HK\$401.8 million (Previous Period: HK\$348.5 million). The increase was mainly attributable to the fact that the gradual relaxation of the epidemic prevention policy, the Hong Kong economy, which had been weak for a long time, has been gradually coming out of the doldrums and regaining its pre-epidemic appearance.

The following table sets forth a breakdown of the Group's revenue by project types for the nine months ended 31 December 2022 and 2021:

	Unaudited			
	Nine months ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Project type				
Bare shell fit-out	264,435	65.8	143,979	41.3
Restacking	118,829	29.6	164,818	47.3
Reinstatement	400	0.1	6,419	1.8
Design	3,210	0.8	7,227	2.1
Churn works	14,205	3.5	24,534	7.0
Maintenance and others	718	0.2	1,518	0.5
Total	401,797	100.0	348,495	100.0

As shown in above table, our bare shell fit-out contributed to 65.8% and 41.3% of the Group's total revenue for the nine months ended 31 December 2022 and 2021 respectively. Revenue from bare shell fit-out increased to HK\$264.4 million for the Current Period from HK\$144.0 million for the Previous Period, representing an increase of 83.7%.

From 1 April 2022 and up to the date of this announcement, we were newly awarded a total of 27 bare shell fit-out projects with a total project sum of HK\$282.8 million.

Cost of sales and Direct margin

The Group's cost of sales mainly comprised subcontracting charges and staff costs. The increase in cost of sales from HK\$318.2 million for the Previous Period to HK\$363.6 million for the Current Period, representing an increase of 14.3%.

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 nine months ended 31 December 2022 and 2021:

	Unaudited			
	Nine months ended 31 December			
	2022		2021	
	<i>HK\$'000</i>	<i>% of</i>	<i>HK\$'000</i>	<i>% of</i>
Project type		revenue		revenue
Bare shell fit-out	39,032	14.8	18,322	12.7
Restacking	13,725	11.6	22,679	13.8
Reinstatement	92	23.0	845	13.2
Design	2,284	71.2	5,367	74.3
Churn works	2,089	14.7	1,999	8.1
Maintenance and others	201	28.1	167	11.0
Total	57,423	14.3	49,379	14.2

The Group's overall direct margin increased to HK\$57.4 million for the Current Period from HK\$49.4 million for the Previous Period. Such increase in the direct margin was primarily due to the increase of direct margin from bare shell fit-out.

Other income

Other income was approximately HK\$1.7 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

The Group's administrative expenses amounted to HK\$19.8 million for the Current Period, representing a decrease of HK\$1.2 million or 5.8% as compared to that of HK\$21.0 million for the Previous Period. Such decrease was primarily attributable to a decrease in legal and professional fee.

Finance costs

Finance costs comprised mainly the interest on the lease liabilities. Finance costs were approximately HK\$79,000 for the Current Period compared with approximately HK\$155,000 for the Previous Period, representing a decrease of approximately 49.0%.

Income tax expense

The Group's income tax expense for the Current Period was HK\$3.3 million, remaining stable, as compared to HK\$3.3 million for the Previous Period.

Profit for the period

The Group's profit for the period increased to HK\$16.6 million for the Current Period from HK\$5.1 million for the Previous Period representing an increase of approximately 223.5%.

Profit attributable to owners of the Company

Profit attributable to owners of the Company amounted to HK\$11.9 million for the Current Period, representing an increase of HK\$9.8 million, as compared with HK\$2.1 million for the Previous Period.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO, CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

During the Current Period, the Group financed its operation by its internal resources. As at 31 December 2022, the Group had net current assets of HK\$127.7 million (31 March 2022: HK\$109.9 million), including cash and cash equivalents balances of HK\$118.7 million (31 March 2022: HK\$119.8 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 2022 (31 March 2022: 1.8 times). The gearing ratio of the Group as at 31 December 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 has been no change in capital structure of the Company as at 31 December 2022. The equity attributable to owners of the Company amounted to HK\$148.6 million as at 31 December 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 31 December 2022 and 31 March 2022, the Group had not pledged any assets to secure bank facilities or finance lease obligation.

CAPITAL COMMITMENTS

As at 31 December 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 31 December 2022, the Group provided guarantees of surety bonds of HK\$9.3 million (31 March 2022: HK\$4.0 million) in respect of 5 (31 March 2022: 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.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2022.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2022, the Group had a total of 75 (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.

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 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	Percentage of the issued share capital
Mr. Wong Sai Chuen	Interest in a controlled corporation	112,500,000 (<i>Note 1</i>)	56.25%
Ms. Hui Man Yee, Maggie	Interest of spouse	112,500,000 (<i>Note 2</i>)	56.25%

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, is the spouse of Mr. Wong Sai Chuen and she was also deemed to be interested in 112,500,000 shares of the Company, pursuant to 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%

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 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.

Save as disclosed above, as at 31 December 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 31 December 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 Share 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 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, is the spouse of Mr. Wong Sai Chuen and she was also deemed to be interested in 112,500,000 shares of the Company, 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, is the spouse of Mr. Wong Kin Kei and she was also deemed to be interested in 37,500,000 shares of the Company, pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 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 nine months ended 31 December 2022 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 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 share has 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 nine months ended 31 December 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 nine months ended 31 December 2022 with all the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Part 2 of 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.

EVENTS 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 nine months ended 31 December 2022 and up to the date of this announcement.

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 nine months ended 31 December 2022, 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 2022 THIRD QUARTERLY REPORT

The 2022 third quarterly report of the Company containing all the information required by the 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, 7 February 2023

As at the date of this announcement, the Board comprises Mr. Wong Sai Chuen (Chairman and Chief Executive 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 Stock Exchange website 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.