SANBASE CORPORATION LIMITED

莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

Third Quarterly Report

2018

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*This report, for which the directors of Sanbase Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 report 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 report misleading.*

This report will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcement" page for at least seven days from the date of publication and on the website of the Company at www.sanbase.com.hk.

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Sai Chuen
Mr. Wong Kin Kei
Ms. Hui Man Yee, Maggie
Mr. Cheung Ting Pong
(re-designated from executive Director to non-executive Director on 8 May 2018)

Non-executive Director

Mr. Cheung Ting Pong
(re-designated from executive Director to non-executive Director on 8 May 2018)

Independent non-executive Directors

Mr. Fan Chun Wah, Andrew
Mr. Wu Kam On, Keith
Mr. Pang Chung Fai, Benny

AUDIT COMMITTEE

Mr. Wu Kam On, Keith *(Chairman)*
Mr. Fan Chun Wah, Andrew
Mr. Pang Chung Fai, Benny

REMUNERATION COMMITTEE

Mr. Pang Chung Fai, Benny *(Chairman)*
Mr. Fan Chun Wah, Andrew
Mr. Wu Kam On, Keith

NOMINATION COMMITTEE

Mr. Fan Chun Wah, Andrew *(Chairman)*
Mr. Wu Kam On, Keith
Mr. Pang Chung Fai, Benny

COMPLIANCE OFFICER

Mr. Wong Sai Chuen

COMPANY SECRETARY

Ms. Li Tsz Man (FCPA)

AUTHORISED REPRESENTATIVES

Mr. Wong Sai Chuen
Ms. Li Tsz Man

AUDITOR

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Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
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Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN HONG KONG

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE (CAP. 622)

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STOCK CODE

8501

WEBSITE

www.sanbase.com.hk

Dear shareholders,

On behalf of the Board of Directors (the "**Board**") of Sanbase Corporation Limited ("**Sanbase Corporation**" or the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present you the Group's unaudited consolidated results for the nine months ended 31 December, 2018 (the "**Period**").

2018 was a remarkable and fruitful year for Sanbase Corporation. Through our successful listing on GEM of The Hong Kong Stock Exchange, we were able to strengthen our foothold in Hong Kong over the last year, with an increasing market share, growing reputation, rising number of clients, as well as increasing size of contracts, as demonstrated by the latest HK$53.4 million bare shell fit-out project awarded in January 2019.

The additional financial strength from the Listing also allowed us to explore other business opportunities, as we have completed two acquisitions in Hong Kong and in China respectively within 6 months after the Listing. Not only did the two acquisitions expand our business coverage to the previously untapped China market, the newly-added design component also enabled us to deliver a cost-effective, one-stop fit-out solutions to our clients. This, in return, has yielded significant financial benefits over the Period, with our Maintenance, Design and Others business enjoying a 470% growth in revenue, and a 1,628% increase in gross profit margin. We have the utmost confidence that the acquisitions would yield greater synergies in the long run, while offering us with the necessary vehicles to capture businesses from the Greater Bay Area.

Looking forward to 2019, we remain optimistic in the demand of commercial fit-out services in Hong Kong despite a perceived weakness in the commercial property market. Inelastic by nature, clients would require fit-out services even if financial circumstances are not favourable, such as reinstatement services when returning the original space, design and bare shell fit-out services when relocating to new offices, or restacking services when re-fitting the existing structure to fit current needs. With our comprehensive services, we will be able to serve our clients along every step of the way, effectively offering a downside protection to our businesses.

In the longer-term, we will continue to ride on favourable policies such as "Moving out of Central" and "Green Office" in Hong Kong, and will strive to increase our market share with a particular emphasis on Grade A offices. We will also pay specific attention to the China market, as cities including Guangzhou, Shenzhen and Hong Kong all have plans to develop central business districts — Pazhou and International Finance City in Guangzhou, Houhai and Qianhai in Shenzhen and Kowloon East in Hong Kong, which is expected to create new office supply of 4.75 million sq. m by 2022.

Following our recent success in the two acquisitions, we will also explore other project opportunities in Hong Kong, China, and potentially in Asia in the future, in order to further expand our business coverage, geographical coverage, and client base, laying a solid foundation for future expansion.

The aforementioned strategies should lay a solid foundation for future growth, and on the Company's 1st anniversary of the Listing and the 10th anniversary since establishment, I wish to take this opportunity to thank all of our employees, partners, shareholders and stakeholders for their unequivocal support. The Group will strive to overcome future challenges, and will aim to offer high quality fit-out services to the industry while delivering greater and sustainable returns.

Chairman of the Board
Wong Sai Chuen

Hong Kong, 11 February 2019

- During the nine months ended 31 December 2018, the Group achieved an increase in revenue of approximately 34.2% to approximately HK$404.4 million from approximately HK$301.3 million for the nine months ended 31 December 2017 (the "**Previous Period**", together with the Period, the "**Periods**"). The growth was mainly attributable to (i) the acquisitions of the Core Group Holding Limited (the "**Core Group**") and the Guangzhou Siwu Architectural Design Company Limited (the "**Guangzhou Siwu**") in April 2018 and May 2018 respectively (the "**Acquisitions**"); and (ii) the increase in revenue from the provision of services including bare shell fit-out, reinstatement and maintenance, design and others.

- The Group's profit attributable to owners of the Company increased of approximately 25.0% to approximately HK$16.0 million for the Period from approximately HK$12.8 million for the Previous Period.

- Basic earnings per share for the Period amounted to HK$7.99 cents (Previous Period: HK$8.56 cents).

- The Board of directors (the "**Directors**") does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

The Board of directors of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

		Three months ended 31 December		Nine months ended 31 December	
	Note	**2018** *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)	**2018** *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenue	3	**183,649**	125,139	**404,370**	301,313
Cost of sales	4	**(167,478)**	(106,696)	**(363,112)**	(261,267)
Gross profit		**16,171**	18,443	**41,258**	40,046
Administrative expenses	4	**(7,416)**	(9,927)	**(19,334)**	(22,077)
Operating profit		**8,755**	8,516	**21,924**	17,969
Finance income		**7**	—	**57**	1
Finance costs		**(67)**	(69)	**(67)**	(104)
Finance costs — net		**(60)**	(69)	**(10)**	(103)
Profit before income tax		**8,695**	8,447	**21,914**	17,866
Income tax expense	6	**(2,081)**	(2,031)	**(4,831)**	(5,021)
Profit for the period		**6,614**	6,416	**17,083**	12,845
Other comprehensive income/(loss), net of tax					
Item that may be reclassified to profit or loss:					
— Exchange differences on translating foreign operations		**65**	—	**(70)**	—
Total comprehensive income for the period		**6,679**	6,416	**17,013**	12,845

	Note	Three months ended 31 December		Nine months ended 31 December	
		2018	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to:					
Owners of the Company		**8,208**	6,416	**15,985**	12,845
Non-controlling interests		**(1,594)**	—	**1,098**	—
		6,614	6,416	**17,083**	12,845
Total comprehensive income attributable to:					
Owners of the Company		**8,256**	6,416	**15,940**	12,845
Non-controlling interests		**(1,577)**	—	**1,073**	—
		6,679	6,416	**17,013**	12,845
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in HK cents)	7	**4.10**	4.28	**7.99**	8.56

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2017 (audited)	390	—	10	—	34,749	35,149	—	35,149
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	12,845	12,845	—	12,845
Transactions with owners in their capacity as owners								
Effect of Reorganization (audited)	—	—	(10)	—	—	(10)	—	(10)
Balance at 31 December 2017 (unaudited)	390	—	—	—	47,594	47,984	—	47,984
Balance at 1 April 2018 (audited)	**1,553**	**68,632**	**—**	**—**	**41,660**	**111,845**	**—**	**111,845**
Profit for the period (unaudited)	**—**	**—**	**—**	**—**	**15,985**	**15,985**	**1,098**	**17,083**
Other comprehensive loss for the period:								
Exchange differences related to foreign operations (unaudited)	**—**	**—**	**—**	**(45)**	**—**	**(45)**	**(25)**	**(70)**
Total comprehensive (loss)/income for the period (unaudited)	**—**	**—**	**—**	**(45)**	**15,985**	**15,940**	**1,073**	**17,013**
Non-controlling interests on acquisitions of subsidiaries (unaudited)	**—**	**—**	**—**	**—**	**—**	**—**	**1,987**	**1,987**
Dividend paid (unaudited)	**—**	**—**	**—**	**—**	**(4,800)**	**(4,800)**	**—**	**(4,800)**
Balance at 31 December 2018 (unaudited)	**1,553**	**68,632**	**—**	**(45)**	**52,845**	**122,985**	**3,060**	**126,045**

1. CORPORATE INFORMATION

Sanbase Corporation Limited (the "**Company**") 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 (together the "**Group**") are principally engaged in provision of interior fit-out solutions in Hong Kong and China. The ultimate holding company of the Company is Madison Square International Investment Limited ("**Madison Square**"). The ultimate controlling party of the Group is Mr. Wong Sai Chuen ("**Mr. Wong**" or the "**Controlling Shareholder**").

The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited since 4 January 2018 (the "**Listing Date**") (the "**Listing**").

The unaudited condensed consolidated financial information is presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 31 December 2018 has been prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of 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 consolidated financial statements for the year ended 31 March 2018 which have been prepared in accordance with the HKFRSs issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in the Company's consolidated financial statements for the year ended 31 March 2018 except for the estimation of income tax and the adoption of new and amended standards are set out in Note 2.1.

2.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and

- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

HKFRS 9 — Financial Instruments — Impact of adoption

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

1. Trade and retention receivables;

2. Contract assets; and

3. Other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2. BASIS OF PREPARATION (Continued)

2.1 New and amended standards adopted by the Group (Continued)

By using the expected credit losses model, management concluded that there is no material impact to the Group's profit or loss for the nine months ended 31 December 2018 and the retained earnings as at 1 April 2018.

HKFRS 15 — Revenue from Contracts with Customers — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("**HKAS 18**") and HKAS 11 Construction contracts ("**HKAS 11**") that relate to the recognition, classification and measurement of revenue and costs.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognize the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated. The reclassifications are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognized in the opening of the interim condensed consolidated statement of financial position on 1 April 2018.

Under HKFRS 15, amounts due from customers for contract work of approximately HK$50,814,000 and amounts due to customers for contract work of approximately HK$525,000 originally presented in the consolidated statement of financial position as at 31 March 2018 are reclassified as contract assets and contract liabilities, respectively, as at 1 April 2018 to be consistent with the terminology used under HKFRS 15.

Except for the above reclassification, management concluded that the adoption of HKFRS 15 does not have material impact to the profit or loss for the nine months ended 31 December 2018 and retained earnings as at 1 April 2018.

3. REVENUE AND SEGMENT INFORMATION

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Bare shell fit-out	**136,479**	99,271	**330,764**	236,517
Restacking	**19,491**	13,237	**27,334**	34,374
Reinstatement	**21,596**	9,555	**29,176**	19,895
Churn work	**2,334**	2,175	**7,744**	8,887
Maintenance, design and others	**3,749**	901	**9,352**	1,640
	183,649	125,139	**404,370**	301,313

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 2018 and 2017.

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 for the three months and nine months ended 31 December 2018 and 2017. 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 People's Republic of China ("**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 revenue, profit or loss and total assets of the PRC operation is less than 10% of the respective attributes of the Group. Accordingly, no separate operating and geographical segment information is presented.

4. EXPENSES BY NATURE

The Group's profit for each of the three months and nine months ended 31 December 2018 and 2017 are stated after charging the following cost of sales and administrative expenses:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Subcontracting charges	**156,189**	87,709	**335,120**	225,645
Employee benefit expense *(Notes 5 and 9)*	**10,171**	7,781	**26,910**	15,527
Cleaning expenses	**2,531**	1,934	**6,349**	5,309
Insurance expenses	**1,566**	693	**2,497**	2,304
Security expenses	**178**	1	**786**	245
Operating lease payments	**610**	192	**1,631**	566
Auditor's remuneration	**13**	—	**358**	—
Depreciation charge	**232**	22	**646**	55
Amortization of intangible assets	**631**	—	**1,856**	—
Legal and professional fees	**1,364**	31	**3,502**	100
Listing expenses charged to profit or loss	**—**	3,707	**—**	11,996
Other expenses	**1,409**	14,553	**2,791**	21,597
Total cost of sales and administrative expenses	**174,894**	116,623	**382,446**	283,344

5. EMPLOYEE BENEFIT EXPENSES, INCLUDING BENEFITS AND INTERESTS OF DIRECTORS

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries, bonuses and allowances	**9,904**	7,643	**26,183**	15,144
Retirement benefit costs				
— Mandatory Provident Fund Scheme *(Note)*	**267**	138	**727**	383
	10,171	7,781	**26,910**	15,527

The Group has arranged for its employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the entities of the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a maximum contribution of HK$1,500 per month since June 2014 and thereafter contributions are voluntary.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the periods. A subsidiary of the Group incorporated in the PRC is subjected to PRC corporate income tax rate of 25%. No overseas profits tax has been calculated as the Company and certain subsidiaries are incorporated in the Cayman Islands and the BVI respectively, and are exempted from tax. Income tax expense charged to the unaudited condensed consolidated profit or loss represents:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current income tax				
— In Hong Kong	**2,451**	2,031	**5,076**	5,021
— In the PRC	**(52)**	—	**73**	—
	2,399	2,031	**5,149**	5,021
Deferred tax	**(318)**	—	**(318)**	—
Income tax	**2,081**	2,031	**4,831**	5,021

7. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

The 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 during the three months and nine months ended 31 December 2018 and 2017.

The weighted average number of ordinary shares in issue during the three months and nine months ended 31 December 2018 and 2017 used in the basic earnings per share calculation are determined on the assumption that 150,000,000 ordinary shares of US$0.001 each had been in issue since 1 April 2017 in connection with issuance of shares for the subdivision of original shares and capitalization on 8 December 2017.

	Three months ended 31 December		**Nine months ended 31 December**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to owners of the Company	**8,208**	6,416	**15,985**	12,845
Weighted average number of ordinary shares in issue *('000)*	**200,000**	150,000	**200,000**	150,000
Basic earnings per share *(HK cents)*	**4.10**	4.28	**7.99**	8.56

(b) Diluted

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the respective Period.

8. DIVIDEND

The Board does not recommend the payment of dividend for the three months and nine months ended 31 December 2018 and 2017.

9. 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 2018 and 2017.

Benefits and interests of key management

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

	Three months ended 31 December		**Nine months ended 31 December**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries, bonuses and allowances	**2,073**	2,150	**6,351**	4,335
Retirement benefit costs				
— Mandatory Provident Fund Scheme	**13**	18	**43**	54
	2,086	2,168	**6,394**	4,389

10. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	As at 31 December	**As at 31 March**
	2018	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Surety bonds	**8,809**	4,978

As at 31 December 2018, the Group provided guarantees of surety bonds in respect of 3 (31 March 2018: 3) construction contracts of the Group in its ordinary course of business. No deposits (31 March 2018: HK$1,130,000) was made in relation to the guarantees of surety bonds in respect of the construction contracts as at 31 December 2018 (31 March 2018: 1). The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

BUSINESS REVIEW AND OUTLOOK

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. 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 categorized into (i) bare shell fit-out projects which are undertaken in the interior space of a vacant premise having basic flooring and plastered walls; (ii) restacking projects which involve upgrading and re-planning and providing modification work to the existing interior structure of the premise; (iii) reinstatement projects which involve demolishing any additional moveable structure that were installed by the existing tenant; (iv) churn works, maintenance, design and others which involve providing design, 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 2018, the Group achieved an increase in revenue of approximately 34.2% to approximately HK$404.4 million from approximately HK$301.3 million for the nine months ended 31 December 2017. The growth was mainly driven by (i) the Acquisitions; and (ii) the increase in revenue from the provision of services including bare shell fit-out, reinstatement and maintenance, design and others.

The Group's profit attributable to owners of the Company increased of approximately 25.0% to approximately HK$16.0 million for the Period from approximately HK$12.8 million for the Previous Period.

Looking forward, the Group is positive about the prospects of the interior fit-out market and will continue to focus on our core business. In order to maximize the long term returns of our shareholders, the Group will explore other project opportunities in Hong Kong, China, and potentially in Asia in the future, in order to further expand our business coverage, geographical coverage, and client base, laying a solid foundation for future expansion.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) churn work; and (v) maintenance, design and others. During the Period, the Group's revenue increased by approximately 34.2% to approximately HK$404.4 million (Previous Period: HK$301.3 million). The increase was mainly attributable to (i) the Acquisitions during the Period; and (ii) the increase in revenue from the provision of services including bare shall fit-out, reinstatement and maintenance, design and others.

The following table sets forth a breakdown of the Group's revenue by project types for the nine months ended 31 December 2018 and 2017:

	Nine months ended 31 December			
	2018		2017	
	HK$'000 **(Unaudited)**	***%***	*HK$'000* (Unaudited)	*%*
Project type				
Bare shell fit-out	**330,764**	**81.8**	236,517	78.5
Restacking	**27,334**	**6.8**	34,374	11.4
Reinstatement	**29,176**	**7.2**	19,895	6.6
Churn work	**7,744**	**1.9**	8,887	3.0
Maintenance, design and others*	**9,352**	**2.3**	1,640	0.5
Total	**404,370**	**100.0**	301,313	100.0

* We provide maintenance, design, MEP consultancy service and project management service.

As shown in the above table, our bare shell fit-out projects contributed to approximately 81.8% and 78.5% of the Group's total revenue for the nine months ended 31 December 2018 and 2017 respectively. Revenue from bare shell fit-out projects increased to approximately HK$330.8 million for the nine months ended 31 December 2018 from approximately HK$236.5 million for the nine months ended 31 December 2017, representing an increase of approximately 39.8%. The increase in revenue from bare shell fit-out projects was mainly attributable to (i) four major bare shell fit-out projects award to the Group, each accounted for revenue of over HK$20.0 million, for the nine months ended 31 December 2018 and (ii) the bare shell fit-out projects undertaken by the Core Group and the Guangzhou Siwu during the Period.

From 1 January 2019 and up to the date of this report, we were newly awarded a total of 10 bare shell fit-out projects with a total project sum of approximately HK$139.5 million.

Cost of Sales and Direct Margin

The Group's cost of sales mainly comprised subcontracting charges and employee benefit expenses. The increase in cost of sales from HK$261.3 million for the nine months ended 31 December 2017 to HK$363.1 million for the nine months ended 31 December 2018.

Defined as revenue less subcontracting costs, 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 2018 and 2017:

	Nine months ended 31 December			
	2018		2017	
	HK$'000 **(Unaudited)**	***%***	*HK$'000* (Unaudited)	*%*
Project type				
Bare shell fit-out	**40,173**	**12.1**	33,893	14.3
Restacking	**6,960**	**25.5**	10,488	30.5
Reinstatement	**4,110**	**14.1**	1,847	9.3
Churn work	**1,319**	**17.0**	1,900	21.4
Maintenance, design and others	**7,311**	**78.2**	423	25.8
Total	**59,873**		48,551	

The Group's overall direct margin increased to approximately HK$59.9 million for the nine months ended 31 December 2018 from approximately HK$48.6 million for the nine months ended 31 December 2017. The remarkable increase in the direct margin was primarily attributable to the Acquisitions during the Period and the increase of direct margin for reinstatement and maintenance, design and others services to approximately HK$4.1 million and HK$7.3 million respectively for the Period (Previous Period: HK$1.8 million and HK$0.4 million respectively). The increase in direct margin for reinstatement and maintenance, design and others services was mainly driven by the larger scale of projects awarded during the Period.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$19.3 million and approximately HK$22.1 million for the nine months ended 31 December 2018 and 2017 respectively. Listing expenses charged to profit or loss of approximately HK$12.0 million was included in the Previous Period. Excluding the Listing expenses, an increase of approximately 91.1% was primarily attributable to (i) an increase of HK$2.6 million in staff costs due to the Acquisitions; (ii) an increase of HK$3.5 million in professional service fees mainly arising after the Listing and the Acquisitions; (iii) an increase of HK$1.0 million in the office expenses and rental expenses primarily arising from an increase in our office floor area as a result of the Acquisitions; and (iv) an increase of HK$1.9 million in the amortization of intangible assets as a result of the increase of intangible assets held by the Group due to the Acquisitions.

Income Tax Expense

Income tax of the Group for the Period was approximately HK$4.8 million (Previous Period: HK$5.0 million) and such slight decrease was due to the net effect of (i) the deferred tax credit arised from the amortization of intangible assets as a result of the increase of intangible assets held by the Group from the Acquisitions; (ii) increase in assessable profit during the Period; and (iii) Listing expenses incurred during the Previous Period. Listing expenses incurred during the Previous Period were not deductible for tax purpose.

Profit for the Period

Profit for the period of the Group increased to approximately HK$17.1 million for the Period from approximately HK$12.8 million for the Previous Period, mainly due to growth of the principal subsidiary's business and the Listing expenses incurred during the Previous Period.

Profit attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately HK$16.0 million, representing an increase of approximately 25.0%, as compared with approximately HK$12.8 million for the Previous Period.

Dividend

The Board does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the nine months ended 31 December 2018, the Group financed its operation by its internal resources and granted bank facility. As at 31 December 2018, the Group had net current assets of approximately HK$104.0 million (31 March 2018: HK$107.3 million), including cash and cash equivalents balances of approximately HK$121.5 million (31 March 2018: HK$58.8 million) mainly denominated in Hong Kong dollars. As at 31 December 2018, the Group had an unutilized bank facility of HK$51.2 million (31 March 2018: 17.2 million). The granted bank facility was secured by corporate guarantee of the Company.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.7 times as at 31 December 2018 (31 March 2018: 2.3 times). The decrease was mainly due to the net effect of the increase in the trade and retention receivables of approximately HK$11.8 million, the increase in cash and cash equivalent balance of approximately HK$62.7 million, the increase in trade payables and amounts due to customers for contract work of approximately HK$46.4 million and approximately HK$14.2 million respectively, and the increase in a bank loan of approximately HK$7.5 million. The gearing ratio of the Group as at 31 December 2018 was 6.0% (31 March 2018: Nil) as the Group utilized the granted bank facility to issue performance bonds as required by projects awarded and financed the startup cost of new projects awarded. The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on the Listing Date subsequently by way of placing and public offering (the "**Global Offering**") and 50,000,000 new shares offered by the Company at a listing price of HK$1.56 per share. There has been no change in capital structure of the Company as at 31 December 2018. The equity attributable to owners of the Company amounted to approximately HK$123.0 million as at 31 December 2018 (31 March 2018: HK$111.8 million).

The Group has no material exposure to fluctuations in exchange rates and any related hedges.

PLEDGE OF ASSETS

As of 31 December 2018, the Group did not have any charges of its assets (31 March 2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any material capital commitment in relation to acquisition of subsidiaries (31 March 2018: Nil).

HUMAN RESOURCES MANAGEMENT

As at 31 December 2018, the Group had a total of 75 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.

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

The Group had completed the acquisitions of subsidiaries of the Core Group and the Guangzhou Siwu on 12 April 2018 and 8 May 2018 respectively. After the completion of the Acquisitions, the Group is interested in 60% and 65% of the total issued capital of the Core Group and the Guangzhou Siwu respectively.

CONTINGENT LIABILITIES

As at 31 December 2018 and 31 March 2018, the Group provided guarantees of surety bonds of approximately HK$8.8 million and HK$5.0 million in respect of three 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.

DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of the Company and its associated corporations

As at 31 December 2018, the Directors had the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, will be required to be notified to the Company and the Stock Exchange:

(i) Interests in the Company

Name of Director	Capacity/ nature of interest	Number of Shares held/ interested in *(Note 1)*	Approximate percentage of issued share capital
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%
Mr. Wong Sai Chuen	Interest in a controlled corporation	112,500,000 *(Note 4)*	56.25%

Notes:

1. All interests stated are long position.

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 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 the SFO.

4. 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 is deemed to be interested under the SFO.

(ii) Interests in associated corporations of the Company

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

Notes:

1. Ms. Hui Man Yee, Maggie is the wife of Mr. Wong Sai Chuen. Therefore, under the SFO, Ms. Hui Man Yee, Maggie is deemed to be interested in Mr. Wong Sai Chuen's interest in Madison Square International Investment Limited.

2. Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at the Listing Date, Madison Square International Investment Limited held 56.25% of our issued share capital and thus was our associated corporation.

3. Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at the Listing Date, J&J Partner Investment Group Limited held 18.75% of our issued share capital and thus was our associated corporation.

Save as disclosed above, as at 31 December 2018, none of our Directors had any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at 31 December 2018, so far as known to the Directors, the following persons/entities had an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/nature of interest	Number of Shares held/ interested in *(Note 1)*	Approximate percentage of shareholding
Madison Square International Investment Limited *(Note 2)*	Beneficial owner	112,500,000	56.25%
Mr. Wong Sai Chuen *(Note 2)*	Interest in a controlled corporation	112,500,000	56.25%
Ms. Hui Man Yee, Maggie *(Note 3)*	Interest of spouse	112,500,000	56.25%
J&J Partner Investment Group Limited *(Note 4)*	Beneficial owner	37,500,000	18.75%
Mr. Wong Kin Kei	Interest in a controlled corporation	37,500,000	18.75%
Ms. Ho Sin Ying	Interest of spouse	37,500,000	18.75%

Notes:

1. All interests stated are long position.
2. 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 is deemed to be interested under the SFO.
3. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in the 112,500,000 Shares held by him, through his controlled corporation, Madison Square International Investment Limited, pursuant to the SFO.
4. Shares in which Mr. Wong Kin Kei is interested in consist of 37,500,000 Shares held by J&J Partner Investment Group Limited, a company wholly owned by him, in which Mr. Wong Kin Kei is deemed to be interested under the SFO.
5. Ms. Ho Sin Ying, the spouse of Mr. Wong Kin Kei, is deemed to be interested in the 37,500,000 Shares held by him, through his controlled corporation, J&J Partner Investment Group Limited, pursuant to the SFO.

Save as disclosed above, so far as is known to the Directors, as at 31 December 2018, there are no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings or any other members of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests in Shares of the Company and Interests in Associated Corporation", at no time from the Listing to the date hereof was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and Controlling Shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) have any interest in a business that competes or may compete with the business of the Group during the 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 quarterly report.

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.

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

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.

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 provide 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 16,000,000 Shares, representing approximately 8% of the total issued share capital of the Company as at the date of this quarterly report. No Shares have been granted under the Share Award Scheme since its adoption and up to the date of this quarterly report.

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

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

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

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 shareholders' interests. To the best knowledge of the Board, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules for the Period.

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 Sai Chuen, holds both positions. Mr. Wong has been primarily responsible for overseeing the Group's general management and business development of the Group and for formulating business strategies and policies for our business management and operations since he founded the Group in 2009. Taking into account the continuation of management and the implementation of its business strategies, the Directors (including the independent non-executive Directors) consider it is most suitable for Mr. Wong to hold both the positions of chief executive officer and the chairman of the Board and the existing arrangements are beneficial and in the interests of the Company and our shareholders as a whole.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, TC Capital International Limited ("**TC Capital**"), except for the compliance adviser's agreement entered into between the Company and TC Capital on 6 July 2017, neither TC Capital nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PUBLICATION OF THE THIRD QUARTERLY REPORT

The 2018 third quarterly report of the Company containing all the information required by GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at ***www.sanbase.com.hk*** and the "HKExnews" website of the Stock Exchange at ***www.hkexnews.hk***.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the nine months ended 31 December 2018, and is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.