SANBASE CORPORATION LIMITED
莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

2019 INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sanbase Corporation Limited (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 six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, as follows:

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

		Unaudited			
		Three months ended 30 September		**Six months ended 30 September**	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	6	**167,856**	121,547	**347,394**	220,721
Cost of sales	7	**(153,626)**	(110,628)	**(318,349)**	(195,634)
Gross Profit		**14,230**	10,919	**29,045**	25,087
Administrative expenses	7	**(7,779)**	(6,279)	**(14,442)**	(11,918)
Impairment losses on financial assets	18	**(1,931)**	—	**(1,931)**	—
Operating profit		**4,520**	4,640	**12,672**	13,169
Finance income		**23**	45	**31**	50
Finance costs		**(80)**	—	**(195)**	—
Finance (costs)/income — net	8	**(57)**	45	**(164)**	50
Profit before income tax		**4,463**	4,685	**12,508**	13,219
Income tax expense	10	**(1,140)**	(915)	**(2,950)**	(2,750)
Profit for the period		**3,323**	3,770	**9,558**	10,469
Other comprehensive loss, net of income tax					
Item that may be subsequently reclassified to profit or loss:					
— Exchange differences arising on translation of foreign operation		**(123)**	(21)	**(184)**	(135)
Total comprehensive income for the period		**3,200**	3,749	**9,374**	10,334

		Unaudited			
		Three months ended 30 September		Six months ended 30 September	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the period attributable to:					
Owners of the Company		**1,078**	2,861	**4,591**	7,777
Non-controlling interests		**2,245**	909	**4,967**	2,692
		3,323	3,770	**9,558**	10,469
Total comprehensive income for the period attributable to:					
Owners of the Company		**1,014**	2,847	**4,473**	7,684
Non-controlling interests		**2,186**	902	**4,901**	2,650
		3,200	3,749	**9,374**	10,334
		HK Cents	*HK Cents*	***HK Cents***	*HK Cents*
Earnings per share attributable to owners of the Company					
Basic and diluted	11	**0.54**	1.43	**2.32**	3.89

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	**Unaudited 30 September 2019 *HK$'000***	Audited 31 March 2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	15	**2,580**	2,783
Right-of-use assets	3(a)	**5,826**	—
Intangible assets	16	**9,806**	9,927
Financial asset at fair value through profit or loss	5.2	**7,831**	7,831
Deposits and prepayments		**1,266**	1,400
Deferred tax assets		**716**	515
		28,025	22,456
Current assets			
Trade and retention receivables	18	**104,586**	122,136
Contract assets		**129,747**	119,842
Deposits, other receivables and prepayments		**10,431**	11,645
Cash and cash equivalents		**99,729**	106,009
		344,493	359,632
Total assets		**372,518**	382,088
EQUITY			
Equity attributable to the owners of the Company			
Share capital	20	**1,553**	1,553
Shares held under share award scheme		**(2,998)**	(2,998)
Share premium		**57,632**	63,832
Exchange reserve		**(171)**	(53)
Retained earnings		**74,115**	69,524
		130,131	131,858
Non-controlling interests		**9,847**	4,946
Total equity		**139,978**	136,804

	Note	Unaudited 30 September 2019 HK$'000	Audited 31 March 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**43**	66
Lease liabilities	3(a)	**3,455**	—
		3,498	66
Current liabilities			
Trade payables	19	**171,274**	203,641
Accruals and other payables	19	**9,728**	6,638
Contract liabilities		**40,265**	18,729
Bank borrowings	21	**972**	12,800
Lease liabilities	3(a)	**2,419**	—
Current income tax liabilities		**4,384**	3,410
		229,042	245,218
Total liabilities		**232,540**	245,284
Total equity and liabilities		**372,518**	382,088

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited Attributable to owners of the Company							
	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*	Unaudited Non-controlling interests *HK$'000*	Unaudited Total equity *HK$'000*
At 31 March 2018	1,553	68,632	—	—	41,660	111,845	—	111,845
Impact of adopting HKFRS 9	—	—	—	—	(252)	(252)	—	(252)
At 1 April 2018 (restated)	1,553	68,632	—	—	41,408	111,593	—	111,593
Profit for the period	—	—	—	—	7,777	7,777	2,692	10,469
Other comprehensive loss for the period:								
Exchange differences arising on translation of foreign operation	—	—	—	(93)	—	(93)	(42)	(135)
Total comprehensive (loss)/ income for the period	—	—	—	(93)	7,777	7,684	2,650	10,334
Non-controlling interests on acquisition of subsidiaries	—	—	—	—	—	—	2,182	2,182
Dividends declared	—	(4,800)	—	—	—	(4,800)	—	(4,800)
At 30 September 2018	1,553	63,832	—	(93)	49,185	114,477	4,832	119,309
At 1 April 2019	**1,553**	**63,832**	**(2,998)**	**(53)**	**69,524**	**131,858**	**4,946**	**136,804**
Profit for the period	**—**	**—**	**—**	**—**	**4,591**	**4,591**	**4,967**	**9,558**
Other comprehensive loss for the period								
Exchange differences arising on translation of foreign operation	**—**	**—**	**—**	**(118)**	**—**	**(118)**	**(66)**	**(184)**
Total comprehensive (loss)/ income for the period	**—**	**—**	**—**	**(118)**	**4,591**	**4,473**	**4,901**	**9,374**
Dividends declared	**—**	**(6,200)**	**—**	**—**	**—**	**(6,200)**	**—**	**(6,200)**
At 30 September 2019	**1,553**	**57,632**	**(2,998)**	**(171)**	**74,115**	**130,131**	**9,847**	**139,978**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited Six months ended 30 September 2019	2018
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	**13,928**	14,611
Interest received	**31**	47
Income tax paid	**(2,196)**	(72)
Net cash inflow from operating activities	**11,763**	14,586
Cash flows from investing activities		
Payment for the contingent consideration for acquisition of a subsidiary	**(4,008)**	—
Payment for acquisitions of subsidiaries, net of cash acquired	**—**	4,262
Payments for purchase of property, plant and equipment	**(366)**	(537)
Net cash (outflow)/inflow from investing activities	**(4,374)**	3,725
Cash flows from financing activities		
Interest paid	**(196)**	—
Lease liabilities paid	**(1,387)**	—
Proceeds from bank borrowing	**10,539**	—
Repayment of bank borrowing	**(22,367)**	—
Net cash outflow from financing activities	**(13,411)**	—
Net (decrease)/increase in cash and cash equivalents	**(6,022)**	18,311
Effects of exchange rate changes on cash and cash equivalents	**(258)**	52
Cash and cash equivalents at 1 April	**106,009**	58,763
Cash and cash equivalents at 30 September	**99,729**	77,126

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

The unaudited condensed consolidated financial information for the three months and six months ended 30 September 2019 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 six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 2019.

The unaudited condensed consolidated financial information for the three months and six months ended 30 September 2019 has 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.

The accounting policies adopted for this unaudited condensed consolidated financial information are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

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 Hong Kong Financial Reporting Standard (the "**HKFRS")** 16 "Leases".

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies.

The Group has not applied any new and revised HKFRSs that are not yet effective for the current period. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's unaudited condensed consolidated financial information and discloses the new accounting policies that have been applied from 1 April 2019 in note 3(b) below.

The Group has adopted HKFRS 16 "Leases" from 1 April 2019, but has not restated comparatives for 31 March 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

(a) Adjustments recognised on adoption of HKFRS 16 "Leases"

On adoption of HKFRS 16 "Leases", the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 4.3% per annum as of 1 April 2019.

The measurement principles of HKFRS 16 are only applied after that date. The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	5,573
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,353
Less: short-term leases recognised on a straight-line basis as expense	(57)
Add: adjustments as a result of a different treatment of extension options	2,869
Lease liabilities recognised as at 1 April 2019	7,165
of which are:	
Current lease liabilities	2,295
Non-current lease liabilities	4,870
	7,165

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	At 30 September 2019	At 1 April 2019
	HK$'000	*HK$'000*
Properties	**5,670**	6,948
Equipment	**156**	217
Total right-of-use-assets	**5,826**	7,165

Except for the above lease liabilities and right-of-use assets recognised in the consolidated statement of financial position as at 1 April 2019, there are no impact to other items of the consolidated statement of financial position and retained earnings of the Group as at 1 April 2019.

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the six months ended 30 September 2019 are as follows:

	Right-of-use assets *HK$'000*	**Lease liabilities** *HK$'000*
At 1 April 2019	7,165	7,165
Additions	—	—
Depreciation *(Note 7)*	(1,283)	—
Interest expense	—	152
Lease payments	—	(1,387)
Exchange difference	(56)	(56)
At 30 September 2019	5,826	5,874
Analysed for reporting purpose as:		
Non-current	5,826	3,455
Current	—	2,419
	5,826	5,874

The Group recognised rental expenses from short-term leases of HK$33,000 during the six months ended 30 September 2019.

In applying HKFRS 16 "Leases" for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 “Leases” and HK (IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

The Group leases various offices, warehouses, and equipment. Rental contracts are typically made for fixed periods of one to four years but some may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the year ended 31 March 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the leases.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the asset’s lease period on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable.

The lease payments are discounted using the lessee’s incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the critical judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

There have been no changes in the risk management policies since 31 March 2019.

5.2 Fair value estimation

The following financial instruments that carried at fair value are categories based on the level of inputs to valuation techniques within a fair value hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table presents the Group's financial assets measured and recognised at fair value at 30 September 2019 and 31 March 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
At 30 September 2019 (Unaudited)				
Financial asset at fair value through profit or loss ("**FVPL**")				
— Unlisted debt investment	**—**	**—**	**7,831**	**7,831**
At 31 March 2019 (Audited)				
Financial asset at FVPL				
— Unlisted debt investment	—	—	7,831	7,831

There were no transfers into or out of level 3.

The fair value of financial assets and financial liabilities measured at amortised cost approximate their carrying amounts.

There are no other financial instruments that were measured at fair value as at 30 September 2019 and 31 March 2019.

There were no changes in valuation techniques for the six months ended 30 September 2019.

6. REVENUE AND SEGMENT INFORMATION

	Unaudited			
	Three months ended 30 September		**Six months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bare shell fit-out	**141,391**	115,900	**294,956**	194,285
Restacking	**14,142**	486	**29,701**	7,843
Reinstatement	**8,025**	1,765	**13,139**	7,580
Design	**1,387**	309	**3,761**	4,007
Churn works	**2,656**	2,660	**4,821**	5,410
Maintenance and others	**255**	427	**1,016**	1,596
	167,856	121,547	**347,394**	220,721

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the three months and six months ended 30 September 2019 and 2018.

The executive Directors have been identified as the chief operating decision makers ("**CODM**") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of interior fit-out solutions in Hong Kong and the PRC for the three months and six months ended 30 September 2019 and 2018. 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 were provided. The Group's operations and workforce are mainly located in Hong Kong and the PRC. The following table provides an analysis of the Group's revenue from external customers.

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**161,092**	111,743	**318,305**	209,141
The PRC	**6,764**	9,804	**29,089**	11,580
	167,856	121,547	**347,394**	220,721

Information about major customers

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

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Customer A	**22,199**	N/A *(Note)*	**57,104**	N/A *(Note)*
Customer B	**22,383**	N/A *(Note)*	**39,029**	N/A *(Note)*
Customer C	**N/A *(Note)***	23,415	**N/A *(Note)***	30,267
Customer D	**N/A *(Note)***	28,787	**N/A *(Note)***	29,010
Customer E	**N/A *(Note)***	18,314	**N/A *(Note)***	25,749
Customer F	**N/A *(Note)***	9,902	**N/A *(Note)***	23,004

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

7. EXPENSES BY NATURE

The Group's profits for the three months and six months ended 30 September 2019 and 2018 are stated after charging the following cost of sales and administrative expenses:

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subcontracting charges	**144,863**	101,587	**299,069**	178,931
Staff costs *(Note 9)*	**9,774**	8,497	**19,321**	16,739
Cleaning expenses	**1,889**	2,274	**4,932**	3,818
Insurance expenses	**614**	860	**1,581**	931
Security expenses	**4**	120	**10**	608
Operating lease payments	**21**	536	**33**	1,021
Auditor's remuneration	**711**	230	**831**	345
Depreciation on right-of-use assets *(Note 3(a))*	**639**	—	**1,283**	—
Depreciation on property, plant and equipment *(Note 15)*	**280**	220	**567**	414
Amortisation of intangible assets *(Note 16)*	**39**	666	**121**	1,225
Legal and professional fees	**1,428**	675	**3,042**	2,138
Other expenses	**1,143**	1,242	**2,001**	1,382
Total cost of sales and administrative expenses	**161,405**	116,907	**332,791**	207,552

8. FINANCE (COSTS)/INCOME — NET

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income from bank deposits	**23**	45	**31**	50
Bank interest expense on bank borrowings	**(4)**	—	**(43)**	—
Interest expense on lease liabilities	**(76)**	—	**(152)**	—
	(57)	45	**(164)**	50

9. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Unaudited			
	Three months ended 30 September		**Six months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Salaries, bonuses and allowances	**9,452**	8,253	**18,667**	16,279
Retirement benefits contributions	**322**	244	**654**	460
	9,774	8,497	**19,321**	16,739

10. INCOME TAX EXPENSE

	Unaudited			
	Three months ended 30 September		**Six months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current income tax				
— Hong Kong profits tax	**893**	1,019	**2,500**	2,625
— PRC enterprise income tax	**693**	(104)	**913**	125
Deferred tax	**(446)**	—	**(463)**	—
	1,140	915	**2,950**	2,750

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tired 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% (2018: 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.

11. 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 the share award scheme during the three months and six months ended 30 September 2019 and 2018.

	Unaudited			
	Three months ended 30 September		**Six months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit attributable to owners of the Company	**1,078**	2,861	**4,591**	7,777
Weighted average number of ordinary shares in issue less shares held under share award scheme *('000)*	**197,944**	200,000	**197,944**	200,000
Basic earnings per ordinary share *(HK cents)*	**0.54**	1.43	**2.32**	3.89

(b) Diluted

There were no outstanding share options as at 30 September 2019 and 2018 and has no potential dilutive ordinary share in issue. Accordingly, diluted earnings per share is equal to basic earnings per share.

12. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months and six months ended 30 September 2019 and 2018.

13. 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 six months ended 30 September 2019 and 2018.

Compensation of key management

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

	Unaudited			
	Three months ended 30 September		**Six months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Salaries, bonuses and allowances	**1,423**	2,037	**2,820**	4,278
Retirement benefits contributions	**13**	14	**27**	30
	1,436	2,051	**2,847**	4,308

14. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	Unaudited	Audited
	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
Surety bonds	**3,648**	8,809

As at 30 September 2019, the Group provided guarantees of surety bonds in respect of 1 (31 March 2019: 3) construction contract(s) of the Group in its ordinary course of business. No deposit was made in relation to the guarantees of surety bonds in respect of the construction contracts as at 30 September 2019 and 31 March 2019. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
At 31 March 2019				
Cost	1,323	2,463	475	4,261
Accumulated depreciation	(621)	(847)	(10)	(1,478)
Net book amount	702	1,616	465	2,783
Six months ended 30 September 2019				
At 1 April 2019	**702**	**1,616**	**465**	**2,783**
Additions	**185**	**181**	**—**	**366**
Depreciation charge *(Note 7)*	**(209)**	**(298)**	**(60)**	**(567)**
Exchange difference	**(2)**	**—**	**—**	**(2)**
At 30 September 2019	**676**	**1,499**	**405**	**2,580**
At 30 September 2019				
Cost	**1,506**	**2,644**	**475**	**4,625**
Accumulated depreciation	**(830)**	**(1,145)**	**(70)**	**(2,045)**
Net book amount	**676**	**1,499**	**405**	**2,580**

16. INTANGIBLE ASSETS

	Goodwill *HK$'000*	Customer relationship and contracts *HK$'000*	Total *HK$'000*
At 31 March 2019			
Cost	9,544	2,870	12,414
Accumulated amortisation	—	(2,487)	(2,487)
Net book amount	9,544	383	9,927
Six months ended 30 September 2019			
At 1 April 2019	**9,544**	**383**	**9,927**
Amortisation charge *(Note 7)*	**—**	**(121)**	**(121)**
At 30 September 2019	**9,544**	**262**	**9,806**
At 30 September 2019			
Cost	**9,544**	**2,870**	**12,414**
Accumulated amortisation	**—**	**(2,608)**	**(2,608)**
Net book amount	**9,544**	**262**	**9,806**

17. BUSINESS COMBINATIONS

(a) Acquisition of the Core Group Holding Limited

On 12 April 2018, the Group acquired 60% equity interests in Core Group Holding Limited. Details of this business combination were disclosed in note 28(a) of the Group's annual financial statements for the year ended 31 March 2019.

(b) Acquisition of Siwu Architectural (Guangzhou) Limited

On 8 May 2018, the Group acquired 65% equity interests in Siwu Architectural (Guangzhou) Limited. Details of this business combination were disclosed in note 28(b) of the Group's annual financial statements for the year ended 31 March 2019.

18. TRADE AND RETENTION RECEIVABLES

	Unaudited As at 30 September 2019 ***HK$'000***	Audited As at 31 March 2019 *HK$'000*
Trade receivables	**103,600**	118,139
Less: provision for impairment of trade receivables	**(4,116)**	(2,194)
Trade receivables — net	**99,484**	115,945
Retention receivables	**5,102**	6,191
Less: provision for impairment of retention receivables	**—**	—
Retention receivables — net	**5,102**	6,191
Trade and retention receivables — net	**104,586**	122,136

Trade and retention receivables balances are categorised as "financial assets measured at amortised cost". The carrying amounts of trade and retention receivables approximate their fair values.

The credit terms granted to its customers were generally 30 days from the invoice date except for the amount relating to retention money which is payable 1 year after the date of completion of the works. As at 30 September 2019 and 31 March 2019, the ageing analysis of the trade receivables based on the invoice date is as follows:

	Unaudited As at 30 September 2019 *HK$'000*	Audited As at 31 March 2019 *HK$'000*
Within 30 days	**64,258**	79,950
31 to 60 days	**4,477**	17,781
61 to 90 days	**20,990**	4,821
91 to 180 days	**7,531**	9,326
Over 180 days	**6,344**	6,261
	103,600	118,139

Impairment assessment on financial assets subject to expected credit loss model

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Impairment losses recognised in respect of:		
— Trade receivables	**1,922**	—
— Contract assets	**9**	—
	1,931	—

The basis of determining the inputs and assumptions and the estimation techniques used in this unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

During the current interim period, the Group provided HK$1,922,000 and HK$9,000 impairment allowance to trade receivable and contract assets respectively, were classified as "financial assets measured at amortised cost".

19. TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2019 ***HK$'000***	Audited As at 31 March 2019 *HK$'000*
Trade payables	**171,274**	203,641
Dividend payables	**6,200**	—
Contingent consideration for acquisition of a subsidiary	**—**	4,008
Accruals and other payables	**3,528**	2,630
	181,002	210,279

An ageing analysis of the trade payables, based on the invoice date was as follows:

	Unaudited As at 30 September 2019 ***HK$'000***	Audited As at 31 March 2019 *HK$'000*
Within 30 days	**126,816**	151,250
31 to 60 days	**6,397**	6,060
61 to 90 days	**9,997**	9,682
91 to 180 days	**5,664**	18,299
Over 180 days	**22,400**	18,350
	171,274	203,641

20. SHARE CAPITAL

	Unaudited	
	Number of shares	**Share Capital**
	('000)	*HK$'000*
Ordinary shares, issued and fully paid:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	**200,000**	**1,553**

21. BANK BORROWINGS

	Unaudited	Audited
	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
Bank borrowing — unsecured	**972**	12,800

The effective interest rate per annum at reporting date was 4.4% per annum and repayable within one year (2018: Nil). As at 30 September 2019, the carrying amount of bank borrowing approximated its fair value and was denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the six months ended 30 September 2019 (the "**Current Period**"), the Group achieved an increase in revenue of 57.4% to HK$347.4 million from HK$220.7 million for the six months ended 30 September 2018 (the "**Previous Period**"). The growth was mainly attributable to the increase in revenue from the business of bare shell fit-out and restacking. The Group's gross profit increased to HK$29.0 million for the Current Period from the HK$25.1 million for the Previous Period, representing an increase of 15.5%.

The Group's profit attributable to owners of the Company decreased by 41.0% to HK$4.6 million for the Current Period from HK$7.8 million for the Previous Period.

OUTLOOK

The International Monetary Fund published their views on world economic outlook recently. After slowing sharply in the last three quarters of 2018, the pace of global economic activity remains weak. Momentum in manufacturing activity, in particular, has weakened substantially, to levels not seen since the global financial crisis. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade. A notable shift toward increased monetary policy accommodation — through both action and communication — has cushioned the impact of these tensions on financial market sentiment and activity, while a generally resilient service sector has supported employment growth. That said, the outlook remains precarious.

Although uncertainty and volatility were escalated in the first half of 2019, we remain positive about the prospects of the interior fit-out market and will continue to focus on our core business. In order to maximise the long term returns of shareholders of the Company (the "**Shareholders**"), the Group will devote more resources towards the development of our interior fit-out business for commercial premises and pursue strategic partnership with or investment in peer interior fit-out solution providers or other industry players to enhance our market share.

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 57.4% to HK$347.4 million (Previous Period: HK$220.7 million). The increase was mainly attributable to the increase in revenue from the provisions of bare shell fit-out and restacking services.

The following table sets forth a breakdown of the Group's revenue by project types for the six months ended 30 September 2019 and 2018:

	Unaudited Six months ended 30 September			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Project type				
Bare shell fit-out	**294,956**	**84.9**	194,285	88.0
Restacking	**29,701**	**8.5**	7,843	3.6
Reinstatement	**13,139**	**3.8**	7,580	3.4
Design	**3,761**	**1.1**	4,007	1.8
Churn works	**4,821**	**1.4**	5,410	2.5
Maintenance and others	**1,016**	**0.3**	1,596	0.7
Total	**347,394**	**100**	220,721	100

As shown in above table, our bare shell fit-out contributed to 84.9% and 88.0% of the Group's total revenue for the six months ended 30 September 2019 and 2018 respectively. Revenue from bare shell fit-out increased to HK$295.0 million for the Current Period from HK$194.3 million for the Previous Period, representing an increase of 51.8%. The increase in revenue from bare shell fit-out was mainly driven by 9 major bare shell fit-out, each accounted for revenue over HK$10.0 million, for the Current Period.

From 1 April 2019 and up to the date of this interim report, we were newly awarded a total of 29 bare shell fit-out projects with a total project sum of HK$234.7 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$195.6 million for the Previous Period to HK$318.3 million for the Current Period, representing an increase of 62.7%.

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 six months ended 30 September 2019 and 2018:

	Unaudited			
	Six months ended 30 September			
	2019		2018	
	HK$'000	***% of revenue***	*HK$'000*	*% of revenue*
Project type				
Bare shell fit-out	**31,340**	**10.6**	25,931	13.3
Restacking	**3,508**	**11.8**	2,818	35.9
Reinstatement	**807**	**6.1**	2,553	33.7
Design	**3,481**	**92.6**	3,758	93.8
Churn works	**1,928**	**40.0**	713	13.2
Maintenance and others	**985**	**96.9**	835	52.3
Total	**42,049**	**12.1**	36,608	16.6

The Group's overall direct margin increased to HK$42.0 million for the Current Period from HK$36.6 million for the Previous Period. Such increase in the direct margin was primarily attributable to the increase of direct margin for bare shell fit-out to HK$31.3 million for the Current Period (Previous Period: HK$25.9 million). The increase in direct margin for bare shell fit-out was mainly driven by the larger scale of projects awarded during the Current Period.

Administrative Expenses

The Group's administrative expenses amounted to HK$14.4 million for the Current Period, representing an increase of HK$2.4 million or 20.0% as compared to that of HK$12.0 million for the Previous Period. Such increase was primarily attributable to (i) an increase of HK$1.0 million in staff costs due to the general pay rise; and (ii) an increase of HK$1.4 million in total for audit remuneration and legal and professional fees.

Income tax expense

Income tax expense of the Group for the Current Period was HK$3.0 million, representing an increase of HK$0.2 million as compared to HK$2.8 million for the Previous Period.

Profit for the period

Profit for the Group decreased to HK$9.6 million for the Current Period from HK$10.5 million for the Previous Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company amounted to HK$4.6 million for the Current Period, representing a decrease of HK$3.2 million, as compared with HK$7.8 million for the Previous Period.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the Current Period, the Group financed its operation by its internal resources and granted bank facility. As at 30 September 2019, the Group had net current assets of HK$115.5 million (31 March 2019: HK$114.4 million), including cash and cash equivalents balances of HK$99.7 million (31 March 2019: HK$106.0 million) mainly denominated in Hong Kong dollars. As at 30 September 2019, the Group had an unutilised bank facility of HK$65.4 million (31 March 2019: HK$48.4 million). The granted bank facility was secured by corporate guarantee of the Group.

The current ratio, being the ratio of current assets to current liabilities, was 1.5 times as at 30 September 2019 (31 March 2019: 1.5 times). The gearing ratio of the Group as at 30 September 2019 was 0.7% (31 March 2019: 9.4%) as the Group utilised the granted bank facility to finance the cost of projects. The gearing ratio is calculated as total debt divided by total equity as at the respective period end.

There has been no change in capital structure of the Company as at 30 September 2019. The equity attributable to owners of the Company amounted to HK$130.1 million as at 30 September 2019 (31 March 2019: HK$131.9 million).

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

PLEDGE OF ASSETS

As at 30 September 2019 and 31 March 2019, the Group had not pledged any assets to secure bank facilities or finance lease obligations.

CAPITAL COMMITMENTS

As at 30 September 2019 and 31 March 2019, the Group had no capital commitment.

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

During the six months ended 30 September 2019, the Group did not have any significant investment, material acquisition or disposal.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group provided guarantees of surety bonds of HK$3.6 million (31 March 2019: HK$8.8 million) in respect of 1 (31 March 2019: 3) construction contract(s) of the Group in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

HUMAN RESOURCES MANAGEMENT

As at 30 September 2019, the Group had a total of 88 (31 March 2019: 80) 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Details of business objectives are set out in the section headed "Business — Business Strategies" of the prospectus dated 18 December 2017 of the Company (the "**Prospectus**").

Business objectives	Business objectives as stated in the Prospectus	Actual business progress up to 30 September 2019
Further strengthen our market leading position in the fit-out industry in Hong Kong	• By taking on more and larger-size projects in the Grade A office premises.	The Group has been pitching for projects continuously. The Group was awarded (i) three bare shell fit-out projects with a contract sum of HK$38.1 million, HK$83.8 million, HK$44.8 million; (ii) a bare shell fit-out project with a contract sum of HK$95.8 million; and (iii) a bare shell fit-out project with a contract sum of HK$53.4 million as disclosed in the announcements dated 27 July 2018, 20 September 2018 and 14 January 2019, respectively.
Expand our project management and client care teams	• By recruiting additional manpower with project management experience to form a designated client servicing team which serves as a direct and regular liaison point for our new and recurring clients; • By expanding our project and construction management teams to enhance our execution capabilities in light of our upcoming project pipeline;	The Group has recruited thirty-nine employees in their capacity as project manager, project supervisor, project coordinator, project executive, site manager, site supervisor, registered safety supervisor, registered safety officer, quantity surveyor and surveying officer.

Business objectives	Business objectives as stated in the Prospectus	Actual business progress up to 30 September 2019
	• By recruiting additional project managers, site supervisors, site managers, quantity surveyors and MEP specialists to expand our project execution capacity; and • By recruiting extra experienced safety and quality control consultants.	
Continue to enhance our project implementation system and develop new management system and technology	• By improving our existing standardised project management and execution system to enhance its usability and intuitiveness.	The Group is in the progress of developing the project management and execution system with enhanced usability and intuitiveness.
Pursue suitable acquisition, partnership and investment opportunities	By selectively invest in or enter into strategic partnerships with other industry players, such as other peer interior fit-out solution providers in the Grade A office market, to further broaden our collective expertise and resources.	The acquisition of Core Group Holding Limited and Siwu Architectural (Guangzhou) Limited have been completed on 12 April 2018 and 8 May 2018 respectively.

USE OF PROCEEDS

The net proceeds from the listing of the Shares was HK$56.9 million. As at 30 September 2019, the net proceeds were applied and utilised as follows:

Proposed use of net proceeds	Intended use of the net proceeds as stated in the Prospectus	Percentage of intended use of the net proceeds as stated in the Prospectus	Intended use of the net proceeds as stated in the Prospectus up to 30 September 2019	Actual use of net proceeds up to 30 September 2019	Unutilised use of the net proceeds up to 30 September 2019
	(HK$ million)	*%*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
(i) For project execution and start-up costs for projects	34.2	60.1%	34.2	34.2	—
(ii) For recruiting high calibre and experienced managers and supervisors for the expansion of our project teams and renting additional office space	11.4	20.0%	7.7	7.7	—
(iii) For revamping our project management and execution system	4.0	7.0%	4.0	0.7	3.3
(iv) For implementation of ERP system	1.7	3.0%	1.7	1.7	—
(v) For additional working capital and other general corporate purpose	5.6	9.9%	4.6	4.6	—
Total	56.9	100.0%	52.2	48.9	3.3

The business objectives, future plans and intended use of the proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and its industry.

During the period up to 30 September 2019, the reason for the delay in the use of proceeds in the amount of HK$3.3 million was mainly due to the Group was still under negotiation with the vendor in relation to the transfer of patent rights of the conceptual framework of the project management and executive system (the "**Management System**") for the Group's operational use. In the event the Group fails to reach an agreement with the vendor, the Group will take further measures to source alternate service providers to resume the design and implementation of the Management System. The Board is of the view that the delay in the implementation of the Management System will not have a material adverse impact on the operation of the Group as a whole.

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

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.68 of the GEM Listing Rules relating to the securities transactions by the directors.

(A) Long Position in the Company's Shares

Name of Directors/ chief executive	Capacity/ nature of interest	Number of issued shares held/ interested in	Percentage of the issued share capital
Ms. Hui Man Yee, Maggie	Interest of spouse	112,500,000 *(Note 1)*	56.25%
Mr. Wong Kin Kei	Interest in a controlled corporation	37,500,000 *(Note 2)*	18.75%
Mr. Wong Sai Chuen	Interest in a controlled corporation	112,500,000 *(Note 3)*	56.25%

Notes:

1. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in the 112,500,000 Shares held by him, through his controlled incorporation, Madison Square International Investment Limited, pursuant to the SFO.

2. 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.

3. Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under the SFO.

(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
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, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in Mr. Wong Sai Chuen's interest in Madison Square International Investment Limited, pursuant to the SFO.

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

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

Save as disclosed above, as at 30 September 2019, 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 SHAREHOLDINGS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, so far as known to the Directors, the particulars of the corporate or persons (other than a Director or the chief executive of the Company) which had 5% or more interests and short positions in the shares and the underlying shares of the Company as recorded in the register kept pursuant to section 336 of the SFO were as follows:

Long Position in the Company's Shares

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

Notes:

1. Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under the SFO.

2. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in the 112,500,000 Shares held by him, through his controlled corporation, Madison Square International Investment Limited, pursuant to 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. Ms. Ho Sin Ying, the spouse of Mr. Wong Kin Kei, is deemed to be interested in the 37,500,000 Shares held by him, through his controlled corporation, J&J Partner Investment Group Limited, pursuant to the SFO.

Save as disclosed above, as at 30 September 2019, 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 interim report, at no time during the six months ended 30 September 2019 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 September 2019.

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 six months ended 30 September 2019 with all the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, except the following deviation:

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 and 2018.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure.

INTEREST OF COMPLIANCE ADVISER

With effect from 1 May 2019, the Company and TC Capital International Limited ("**TC Capital**") have mutually agreed to terminate the compliance adviser agreement entered into between the Company and TC Capital dated 6 July 2017 (the "**TC Capital Agreement**"). The Company has appointed Messis Capital Limited ("**Messis Capital**") as the new compliance adviser of the Company and signed a compliance adviser agreement with Messis Capital (the "**Messis Capital Agreement**") with effect from 1 May 2019.

As notified by TC Capital and Messis Capital respectively, save for the TC Capital Agreement and Messis Capital Agreement, neither TC Capital nor Messis Capital, as the compliance adviser of the Company during the respective periods, nor any of their directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2019.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference which are no less exacting terms than those set out in the CG Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules. Currently, the Audit Committee comprises three independent non-executive Directors namely Mr. Wu Kam On, Keith, Mr. Fan Chun Wah, Andrew, *J.P.* and Mr. Pang Chung Fai, Benny, and chaired by Mr. Wu Kam On, Keith, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the six months ended 30 September 2019, 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 RESULTS ANNOUNCEMENT AND 2019 INTERIM REPORT

This announcement is published on the websites of HKEXnews (***www.hkexnews.hk***) as well as the website of the Company (***www.sanbase.com.hk***). The Company's 2019 interim report will be dispatched to Shareholders and will be published on the aforementioned websites in due course.

By order of the Board
Sanbase Corporation Limited
Mr. Wong Sai Chuen
Chairman, Chief Executive Officer and
Executive Director

Hong Kong, 8 November 2019

As at the date of this announcement, the Board comprises Mr. Wong Sai Chuen (Chairman and Chief Executive Officer), Mr. Wong Kin Kei (Chief Operating Officer) and Ms. Hui Man Yee Maggie being the executive Directors; and Mr. Fan Chun Wah Andrew J.P., Mr. Wu Kam On Keith and Mr. Pang Chung Fai Benny being the independent non-executive Directors.

This announcement will remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.sanbase.com.hk.