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SANBASE CORPORATION LIMITED

莊 皇 集 團 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

The board (the “**Board**”) of directors (the “**Directors**”) of Sanbase Corporation Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 31 December 2017. This announcement, containing the full text of the 2017 Third Quarterly Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of quarterly results.

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

Hong Kong, 9 February 2018

As at the date of this announcement, the Board comprises Mr. Wong Sai Chuen (chairman and chief executive officer), Mr. Wong Kin Kei (chief operating officer), Ms. Hui Man Yee Maggie and Mr. Cheung Ting Pong being the executive Directors; and Mr. Fan Chun Wah Andrew, Mr. Wu Kam On Keith and Mr. Pang Chung Fai Benny being the independent non-executive Directors.

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

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

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*This report, 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 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.*

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BOARD OF DIRECTORS

Executive Directors

Mr. Wong Sai Chuen
Mr. Wong Kin Kei
Ms. Hui Man Yee, Maggie
Mr. Cheung Ting Pong

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
Mr. Cheung Ting Pong

AUDITOR

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LEGAL ADVISER

as to Hong Kong Law:
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1 Connaught Place
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9 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL BANK

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Corporation Limited
8/F Lower Block, Grand Millennium Plaza
181 Queen's Road
Central
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
183 Queen's Road East
Hong Kong

**PRINCIPAL PLACE OF BUSINESS
AND HEADQUARTER IN HONG
KONG**

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267-275 Des Voeux Road
Central
Hong Kong

**REGISTERED OFFICE IN THE
CAYMAN ISLANDS**

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103 South Church Street, P.O. Box 10240
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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Hong Kong

STOCK CODE

8501

WEBSITE

www.sanbase.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the “**Board**”) of Sanbase Corporation Limited and its subsidiaries (collectively the “**Group**”), I am pleased to present you with the Group’s unaudited consolidated performance for the nine months ended December 31, 2017.

Since its establishment in 2009, Sanbase Corporation Limited has been committed to providing interior fit-out solutions to clients whose offices are predominately situated in Grade A office in Hong Kong and to meet their needs at different stages by its bare shell fit-out, restacking, reinstatement, maintenance and churn work services. The Company’s operation philosophy and management model have been recognized by the market and participated in over 230 fit-out projects for the offices of prominent financial institutions, insurance companies and multi-national companies. By virtue of our in-depth understanding of our clients, and our team’s excellent management and execution capabilities, we became the largest interior fit-out solutions provider for Grade A offices in Hong Kong in 2016.

However, “to do better” has been the Group’s core value. In order to further improve service quality and promote business development, Sanbase Corporation Limited has successfully been listed on GEM of the Stock Exchange in 2018. This has not only improved the Group’s brand recognition, which gives advantage in bidding, but also enhanced our capital strength, enabling us to undertake more and larger fit-out projects, enlarge our existing team and optimize our management system, thus providing higher quality and more integrated fit-out services to our clients. I believe that the above plans will strengthen the Company’s market competitiveness and play a positive role in promoting the provision of high quality services in the industry.

With the improvement of our reputation in the market and our track record, the continuous improvement of our execution capabilities, and trends such as “Move Out Of Central Hong Kong”, “Green Office” and other favorable government policies, we are confident in our business development in the future. Our objective is to further expanding our scale of business and strengthening our market leading position in the Grade A offices fit-out industry in Hong Kong. Meanwhile, we will also pursue suitable acquisition, partnership and investment opportunities to further broaden our collective expertise, resources and market share.

I wish to take this opportunity to thank all employees, partners, stakeholders and shareholders of the Company (the “**Shareholders**”) for their continuous contribution to the Group’s business development. With their support and promotion, Sanbase Corporation Limited will overcome difficulties and provide high quality fit-out services to our clients, and maximize return to the Shareholders in the long run.

- During the nine months ended 31 December 2017 (the “**Period**”), the Group achieved an increase in revenue of approximately 36.0% to approximately HK\$301.3 million from approximately HK\$221.6 million for the nine months ended 31 December 2016 (the “**Previous Period**”). The growth was mainly driven by the increase in revenue from the provision of bare shell fit-out and restacking. In line with the increase in revenue, the Group’s gross profit increased to approximately HK\$40.0 million for the Period from the approximately HK\$30.5 million for the Previous Period, representing an increase of approximately 31.4%.
- The Group’s profit attributable to owners of the Company (excluding listing expenses charged to profit or loss approximately HK\$12.0 million) increased of approximately 17.7% to approximately HK\$24.8 million for the Period from approximately HK\$21.1 million for the Previous Period. The increase in profit attributable to owners of the Company was mainly due to the increase in revenue and gross profit for the Period.
- Revenue of the Group increased by approximately 15.3% from approximately HK\$108.5 million for the three months ended 31 December 2016 to approximately HK\$125.1 million for the three months ended 31 December 2017 primarily due to the increase in revenue from the provision of bare shell fit-out and restacking. In line with the increase in revenue, the Group’s gross profit increased to approximately HK\$18.4 million for the three months ended 31 December 2017 from the approximately HK\$14.9 million for the three months ended 31 December 2016, representing an increase of approximately 23.6%.
- The Group’s profit attributable to owners of the Company (excluding listing expenses charged to profit or loss approximately HK\$3.7 million) decreased of approximately 10.5% to approximately HK\$10.1 million for the three months ended 31 December 2017 from approximately HK\$11.3 million for the three months ended 31 December 2016. The decrease in profit attributable to owners of the Company was mainly due to the increase in administrative expenses because of the increase of general salary level by annual review as well as increased number of employee during the period.
- The board of director does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

UNAUDITED CONDENSED CONSOLIDATION STATEMENTS

The Board of Directors of Sanbase Corporation Limited is pleased to present the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

	Note	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	125,139	108,526	301,313	221,591
Cost of sales	4	(106,696)	(93,600)	(261,267)	(191,120)
Gross profit		18,443	14,926	40,046	30,471
Administrative expenses	4	(9,927)	(1,339)	22,077	(5,185)
Finance costs	6	(69)	—	(103)	—
Profit before income tax		8,447	13,587	17,866	25,286
Income tax expense	7	(2,031)	(2,276)	(5,021)	(4,176)
Profit and total comprehensive income for the period attributable to owners of the Company		6,416	11,311	12,845	21,110
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in HK cents)		4.28	7.54	8.56	14.07

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

	Share capital HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2016	—	10	32,049	32,059
Comprehensive income profit for the period	—	—	21,110	21,110
Total comprehensive income	—	—	21,110	21,110
Balance at 31 December 2016	—	10	53,159	53,169
Balance at 1 April 2017	390	10	34,749	35,149
Comprehensive income profit for the period	—	—	12,845	12,845
Total comprehensive income	—	—	12,845	12,845
Transactions with owners in their capacity as owners effect of reorganization (<i>Note 1.2(iii)</i>)	—	(10)	—	(10)
Balance at 31 December 2017	390	—	47,594	47,984

1. CORPORATE INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 Corporation 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 1601-03, 05, 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 (the "**Listing Business**") in Hong Kong. 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**").

1.2 Reorganization, global offering and capitalization issue

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the principal activities of the Group were primarily operated by Sanbase Interior Contracting Limited ("**Sanbase Interior**"), a company controlled by the Controlling Shareholder while certain related business activities were carried out under Karich Asia Pacific Co., Limited, a company incorporated in Hong Kong and wholly owned by the Controlling Shareholder, prior to 31 March 2016.

Sanbase Interior assumed all these activities from Karich Asia Pacific Co., Limited with effect from 1 April 2016.

Pursuant to the reorganization (the “**Reorganization**”), Sanbase Interior was transferred to the Group. The Reorganization involved the followings:

- (i) On 23 March 2017, 1017 Company Limited (the “**BVI Company**”) was incorporated in the British Virgin Islands (the “**BVI**”) and 10,000 ordinary shares were issued and allotted to the Company on 24 March 2017.
- (ii) On 24 March 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. On the same day, 1 ordinary share was transferred from the initial subscriber to Madison Square, a company wholly owned by Mr. Wong. In addition, 37,499 and 12,500 ordinary shares were issued and allotted to Madison Square and J&J Partner Investment Group Limited, which is a company wholly owned by Mr. Wong Kin Kei, a director of the Company, respectively on the same day. The issued ordinary shares of Company are 50,000 ordinary shares of US\$1 each as at 24 March 2017.
- (iii) On 22 May 2017, the BVI Company acquired the total issued share capital of Sanbase Interior from its then shareholders for an aggregate consideration of HK\$10,000, since then Sanbase Interior has become a wholly owned subsidiary of the Group.
- (iv) On 22 May 2017, the Company completed the Reorganization.
- (v) On 8 December 2017, pursuant to the written resolutions passed by the shareholders of the Company, the issued ordinary shares were sub-divided from 50,000 shares of US\$1.0 each to 50,000,000 shares of US\$0.001 each.
- (vi) On 8 December 2017, pursuant to the written resolutions passed by the shareholders of the Company, conditional further to the result of the global offering, the directors were authorized to capitalize an amount of US\$100,000 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full 100,000,000 ordinary shares of US\$0.001 each for allotment and issue to the persons whose names appear on the register of members of the Company immediately before the completion of the global offering in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the then existing issued shares, and the Directors were authorized to give effect to such capitalization and distributions and the capitalization issue was approved.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 31 December 2017 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 years ended 31 March 2016 and 2017 and the three months ended 30 June 2017 which have been prepared in accordance with the HKFRSs issued by the HKICPA, as set out in the Prospectus.

The accounting policies and methods of computation used in the preparation of these unaudited condensed financial information are consistent with those used in the Company’s consolidated financial statements for the years ended 31 March 2016 and 2017 and the three months ended 30 June 2017 as contained in the Prospectus.

3. REVENUE AND SEGMENT INFORMATION

	Three months ended 31 December		Nine months ended 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bare shell fit-out	99,271	96,571	236,517	174,497
Restacking	13,237	9,392	34,374	15,567
Reinstatement	9,555	620	19,895	21,039
Maintenance	901	773	1,640	1,398
Churn work	2,175	1,170	8,887	9,090
	125,139	108,526	301,313	221,591

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 2017 and 2016.

The executive directors have been identified as the 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 for the three months and nine months ended 31 December 2017 and 2016. 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 Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no 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 2017 and 2016 are stated after charging the following cost of sales and administrative expenses:

	Three months ended 31 December		Nine months ended 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Subcontracting charges	87,709	87,991	225,645	176,722
Employee benefit expense <i>(Notes 5 and 10)</i>	7,781	2,161	15,527	9,709
Cleaning expenses	1,934	1,706	5,309	3,498
Insurance expenses	693	826	2,304	1,728
Security expenses	1	556	245	556
Operating lease payments	192	170	566	513
Depreciation charge	22	8	55	27
Legal and professional fees	31	30	100	41
Listing expenses charged to profit or loss	3,707	—	11,996	—
Other expenses	14,553	1,491	21,597	3,511
Total cost of sales and administrative expenses	116,623	94,939	283,344	196,305

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

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Salaries, bonuses and allowances	5,492	1,284	10,774	5,812
Pension costs — Defined contribution plan (<i>Note</i>)	120	87	329	241
	5,612	1,371	11,103	6,053

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. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Finance costs	69	—	103	—

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of Sanbase Interior for the periods. No overseas profits tax has been calculated as the Company and another subsidiary 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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current income tax	2,031	2,276	5,021	4,176

8. 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 2017 and 2016.

The weighted average number of ordinary shares in issue during the three months and nine months ended 31 December 2017 and 2016 used in the basic earnings per share calculation are determined on the assumption that 50,000,000 ordinary shares and 100,000,000 ordinary shares of US\$0.001 each as detailed in Notes 1.2(v) and 1.2(vi) had been in issue since 1 April 2016.

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit attributable to owners of the company	6,416	11,311	12,845	21,110
Weighted average number of ordinary shares in issue ('000)	150,000	150,000	150,000	150,000
Basic earnings per ordinary share (HK cents)	4.28	7.54	8.56	14.07

(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 periods.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months and nine months ended 31 December 2017 and 2016.

10. 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 2017 and 2016.

Benefits and interests of directors

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Salaries, bonuses and allowances	2,150	776	4,335	3,615
Pension costs — Defined contribution plan	18	14	54	41
	2,168	790	4,389	3,656

11. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided:

	As at 31 December	As at 30 June
	2017 HK\$	2017 HK\$
Surety bonds	8,764	—

As at 31 December 2017, the Group provided guarantees of surety bonds in respect of 3 (30 June 2017: nil) 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.

12. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION

On 4 January 2018, the Company's shares were listed on GEM of the Stock Exchange.

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 undertaken with respect to 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; and (iv) maintenance and churn work which involve providing minor repairs and general builder's maintenance work to the tenant's office facilities, pest control and emergency call service.

During the nine months ended 31 December 2017, the Group achieved an increase in revenue of approximately 36.0% to approximately HK\$301.3 million from approximately HK\$221.6 million for the nine months ended 31 December 2016. The growth was mainly driven by the increase in revenue from the business of bare shell fit-out and restacking. In line with the increase in revenue, the Group's gross profit increased to approximately HK\$40.0 million for the Period from the approximately HK\$30.5 million for the Previous Period, representing an increase of approximately 31.4%.

The Group's profit attributable to owners of the Company (excluding listing expenses charged to profit or loss approximately HK\$12.0 million) increased of approximately 17.7% to approximately HK\$24.8 million for the Period from approximately HK\$21.1 million for the Previous Period. The increase in profit attributable to owners of the Company was mainly due to the increase in revenue and gross profit for the 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 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.

FINANCIAL REVIEW

Revenue

The Group's revenue is principally generated from (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance and (v) churn work. During the Period, the Group's revenue increased by approximately 36.0% to approximately HK\$301.3 million (Previous Period: HK\$221.6 million).

The following table sets forth a breakdown of the Group's revenue by project types for the nine months ended 31 December 2017 and 2016:

Project type	Nine months ended 31 December			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Bare shell fit-out	236,517	78.5%	174,497	78.7%
Restacking	34,374	11.4%	15,567	7.0%
Reinstatement	19,895	6.6%	21,039	9.5%
Maintenance	1,640	0.5%	1,398	0.7%
Churn work	8,887	3.0%	9,090	4.1%
Total	301,313	100.0%	221,591	100.0%

As shown in above table, our bare shell fit-out projects contributed to approximately 78.5% and 78.7% of the Group's total revenue for the nine months ended 31 December 2017 and 2016 respectively. Revenue from bare shell fit-out projects increased to approximately HK\$236.5 million for the nine months ended 31 December 2017 from approximately HK\$174.5 million for the nine months ended 31 December 2016, representing an increase of approximately 35.5%. The increase in revenue from bare shell fit-out projects was mainly driven by six major bare-shell fit-out projects, each accounted for revenue over HK\$10 million, for the nine months ended 31 December 2017.

From 1 January 2018 and up to the date of this report date, we were newly awarded a total of 5 bare shell fit-out projects with a total project sum of approximately HK\$12.5 million.

Cost of Services and Direct Margin

The Group's cost of service mainly comprised subcontracting charges and employee benefit expenses. The increase in cost of service from HK\$191.1 million for the nine months ended 31 December 2016 to HK\$261.3 million for the nine months ended 31 December 2017 was generally in line with the rise in revenue for the Period.

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 2017 and 2016:

	Nine months ended 31 December			
	2017		2016	
Project type	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Bare shell fit-out	33,893	14.3	24,327	13.9
Restacking	10,488	30.5	5,333	34.3
Reinstatement	1,847	9.3	873	4.1
Maintenance	423	25.8	264	18.9
Churn work	1,900	21.4	5,866	64.5
	48,551		36,663	

The Group's overall direct margin increased to approximately HK\$48.6 million for the nine months ended 31 December 2017 from approximately HK\$36.7 million for the nine month ended 31 December 2016, mainly due to the increase of direct margin for bare shell fit-out and restacking projects to approximately HK\$33.9 million and HK\$10.5 million respectively for the Period (Previous Period: HK\$24.3 million and HK\$5.3 million respectively). The increase in direct margin for bare shell fit-out and restacking projects was mainly driven by the larger scale of projects awarded during the Period.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$22.1 million and approximately HK\$5.2 million for the nine months ended 31 December 2017 and 2016 respectively. Listing expenses charged to profit or loss of approximately HK\$12.0 million was included in the Period (Previous Period: Nil). Excluding the amount of listing expenses, an increase of approximately 94.4% was primarily due to the increase in staff costs and other administrative expenses during the Period.

Income Tax Expense

Income tax of the Group for the Period was approximately HK\$5.0 million (Previous Period: HK\$4.2 million) and such growth was consistent with the increase in assessable profits during the Period as compared to the Previous Period. Listing expenses incurred during the Period were not deductible for tax purpose.

Profit for the Period

Profit for the period of the Group decreased to approximately HK\$12.8 million for the Period from approximately HK\$21.1 million for the Previous Period, mainly due to the listing expenses, amount to approximately HK\$12.0 million, incurred during the Period and the Group was successfully listed on GEM on the Stock Exchange on 4 January 2018.

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 2017, the Group financed its operation by its internal resources and granted bank facility. As at 31 December 2017, the Group had net current assets of approximately HK\$47.7 million (30 June 2017: HK\$35.4 million), including cash and cash equivalents balances of approximately HK\$31.6 million (30 June 2017: HK\$16.6 million) mainly denominated in Hong Kong dollars. As at 31 December 2017, the Group had an unutilized bank facility of HK\$6.1 million (30 June 2017: Nil) which pledged bank facility with equivalent amounts up to HK\$6.0 million are required from time to time upon utilisation. The granted bank facility was secured by personal guarantee of Controlling Shareholder, Mr. Wong Sai Chuen, our Chairman, Chief Executive Officer and Executive Director. The personal guarantee provided by Mr. Wong was released following to the listing of the Group on 4 January 2018 (the “**Listing Date**”) and the Group provided corporate guarantee as security.

The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 times as at 31 December 2017 (30 June 2017: 1.5 times). The decrease was mainly due to the increase in the trade and retention receivables approximately HK\$101.7 million and the increase of cash and cash equivalent balance approximately HK\$31.6 million. The gearing ratio of the Group as at 31 December 2017 was 15.2% (30 June 2017: 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 2017. The equity attributable to owners of the Company amounted to approximately HK\$47.6 million as at 31 December 2017 (30 June 2017: HK\$35.5 million).

PLEDGE OF ASSETS

As of 31 December 2017, the Group did not have any charges of its assets (30 June 2017: Nil).

CAPITAL COMMITMENTS

As at 31 December 2017 and 30 June 2017, the Group did not have any material capital commitment.

HUMAN RESOURCES MANAGEMENT

As at 31 December 2017, the Group had a total of 33 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 did not have any significant investments, material acquisitions, and disposals of subsidiaries and affiliated companies during the Period.

CONTINGENT LIABILITIES

As at 31 December 2017 and 30 June 2017, the Group provided guarantees of surety bonds of approximately HK\$8,764,000 and nil in respect of three and nil construction contracts respectively 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the GEM of the Stock Exchange on 4 January 2018. The amount of the net proceeds from the Global Offering received by the Company, after deducting the expenses in relation to the Global Offering, is estimated to be approximately HK\$56.9 million. The Company currently intends to apply such net proceeds as follows:

- approximately 60% of the net proceeds or approximately HK\$34.1 million will be used for the project execution and start-up costs for our projects;
- approximately 20% of the net proceeds or approximately HK\$11.4 million, for recruiting high caliber and experienced managers and supervisors for the expansion of our project teams and renting additional office space to provide additional work space for our expanding employee teams and conference rooms for holding meetings;
- approximately 7% of the net proceeds or approximately HK\$4.0 million, for revamping our project management and execution system;
- approximately 3% of the net proceeds or approximately HK\$1.7 million, for implementation of the enterprise resources planning system; and
- approximately 10% of the net proceeds or approximately HK\$5.7 million, for additional working capital and other general corporate purposes.

For further details of the Group's intended use of the net proceeds, please refer to the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus. As the Company was not listed as at 31 December 2017, the net proceeds was not applied during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND INTERESTS IN ASSOCIATED CORPORATION

As at the Listing Date, the interests and short positions of the Directors and the chief executives 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")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise 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 the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(A) Interests in Shares of the Company

Name of Director/ chief executive	Capacity/ nature of interest	Number of shares held ^(Note 1)	Approximate percentage of issued share capital
Mr. Wong Sai Chuen	Interest in a controlled corporation	112,500,000 ^(Note 2)	56.25%
Ms. Hui Man Yee, Maggie	Interest of spouse	112,500,000 ^(Note 3)	56.25%
Mr. Wong Kin Kei	Interest in a controlled corporation	37,500,000 ^(Note 4)	18.75%

Notes:

- All interests stated are long position.
- 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.
- 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.
- 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.

(B) Interests in Associated Corporation

Name of Directors/ chief executive	Associated corporation	Capacity/ nature of interest	Number of shares held	Approximate percentage of shareholding interest
Mr. Wong Sai Chuen ^(Note 1)	Madison Square International Investment Limited ^(Note 2)	Beneficial owner	37,500	100%
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%

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 the Listing Date, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at the Listing Date, 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^(Note 1)	Approximate percentage of issued share capital
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 ^(Note 4)	Interest in a controlled corporation	37,500,000	18.75%
Ms. Ho Sin Ying ^(Note 5)	Interest of spouse	37,500,000	18.75%

Notes:

- All interests stated are long position.
- 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.
- 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.
- 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.
- 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.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

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

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 8 December 2017 (the "**Adoption Date**") which became unconditional upon the listing of the Company on the Listing Date. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. No share options were granted since the Adoption Date up to 31 December 2017, and there was no share option outstanding as at 31 December 2017. As at 31 December 2017, the Company had 20,000,000 shares available for issue under the Share Option Scheme, representing 10% of the existing issued share capital of the Company as at the date of this report.

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 our Group's general management and business development of our Group and for formulating business strategies and policies for our business management and operations since he founded our Group in 2009. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our 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 our Company and our shareholders as a whole.

ADOPTION OF GROUP LOGO AND CHANGE OF COMPANY'S WEBSITE

Pursuant to the resolution of the Board passed on 12 January 2018, the Company announced the adoption of group logo "SCL" and the website of the Company has been changed from <http://www.irasia.com/listcol/hk/sanbase/index.htm> to www.sanbase.com.hk.

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 2017 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 2017, 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.