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SANBASE CORPORATION LIMITED

莊皇集團公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8501)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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.*

The board (the “**Board**”) of Directors of the Company and its subsidiaries (collectively the “**Group**”) is pleased to present the audited consolidated final results of the Group for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	<i>Note</i>	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Revenue	3	517,599	413,122
Cost of sales	5	(484,167)	(390,385)
Gross profit		33,432	22,737
Other income	4	1,714	49
Administrative expenses	5	(28,708)	(30,332)
Fair value changes of financial asset at fair value through profit or loss		2	1,353
Provision for impairment losses on financial assets		(548)	(602)
Impairment losses on intangible assets		(2,421)	–
Operating profit/(loss)		3,471	(6,795)
Finance income		1,094	161
Finance costs		(103)	(199)
Finance income/(costs) – net	6	991	(38)
Profit/(loss) before income tax		4,462	(6,833)
Income tax expense	8	(1,547)	(413)
Profit/(loss) for the year		2,915	(7,246)
Other comprehensive income, net of income tax			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Exchange differences arising on translation of foreign operation		(359)	190
Total comprehensive income/(loss) for the year		2,556	(7,056)
Profit/(loss) for the year attributable to:			
Owners of the Company		1,040	(5,735)
Non-controlling interests		1,875	(1,511)
		2,915	(7,246)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		777	(5,626)
Non-controlling interests		1,779	(1,430)
		2,556	(7,056)
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted	9	0.53	(2.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	<i>Note</i>	2023 HKD'000	2022 <i>HKD'000</i>
Assets			
Non-current assets			
Property, plant and equipment		790	1,707
Right-of-use assets		1,941	3,316
Intangible assets		9,544	11,965
Financial assets at fair value through profit or loss		14,687	14,647
Deposits and prepayments		404	338
Deferred tax assets		1,233	1,189
		<u>28,599</u>	<u>33,162</u>
Current assets			
Trade and retention receivables	<i>11</i>	88,250	44,673
Contract assets		105,476	83,581
Deposits, other receivables and prepayments		2,454	3,158
Income tax recoverable		–	2,692
Cash and cash equivalents		109,702	119,776
		<u>305,882</u>	<u>253,880</u>
Total assets		<u>334,481</u>	<u>287,042</u>
Equity			
Equity attributable to the owners of the Company			
Share capital		1,553	1,553
Shares held under share award scheme		(2,998)	(2,998)
Share premium		57,632	57,632
Exchange reserve		115	378
Retained earnings		81,333	80,293
		<u>137,635</u>	<u>136,858</u>
Non-controlling interests		7,070	5,291
Total equity		<u>144,705</u>	<u>142,149</u>
Liabilities			
Non-current liabilities			
Lease liabilities		620	909
		<u>620</u>	<u>909</u>
Current liabilities			
Trade payables	<i>12</i>	181,830	124,151
Accruals and other payables	<i>12</i>	3,361	2,172
Contract liabilities		1,716	15,002
Lease liabilities		1,404	2,659
Income tax payables		845	–
		<u>189,156</u>	<u>143,984</u>
Total liabilities		<u>189,776</u>	<u>144,893</u>
Total equity and liabilities		<u>334,481</u>	<u>287,042</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Attributable to owners of the Company							Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Shares held under share award scheme HKD'000	Exchange reserve HKD'000	Retained earnings HKD'000	Subtotal HKD'000	Non-controlling interests HKD'000	
At 1 April 2021	1,553	57,632	(2,998)	269	86,028	142,484	6,721	149,205
Loss for the year	-	-	-	-	(5,735)	(5,735)	(1,511)	(7,246)
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operation	-	-	-	109	-	109	81	190
Total comprehensive (loss)/income for the year	-	-	-	109	(5,735)	(5,626)	(1,430)	(7,056)
At 31 March 2022	1,553	57,632	(2,998)	378	80,293	136,858	5,291	142,149
At 1 April 2022	1,553	57,632	(2,998)	378	80,293	136,858	5,291	142,149
Profit for the year	-	-	-	-	1,040	1,040	1,875	2,915
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operation	-	-	-	(263)	-	(263)	(96)	(359)
Total comprehensive income/(loss) for the year	-	-	-	(263)	1,040	777	1,779	2,556
At 31 March 2023	1,553	57,632	(2,998)	115	81,333	137,635	7,070	144,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sanbase Corporation Limited was incorporated in the Cayman Islands on 24 March 2017 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 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. The Company and its subsidiaries are principally engaged in the 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 Stock Exchange since 4 January 2018.

These consolidated financial statements are presented in Hong Kong dollar ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 23 June 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting the Company and its subsidiaries.

2.1 Basis of preparation

- (i) *Compliance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance*

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap.622, Laws of Hong Kong.

- (ii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

(iii) *Amended standards and accounting guideline adopted by the Group*

The Group has applied the following amended standards and accounting guideline for the first time for their financial statements period commencing 1 April 2022:

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The amendments and accounting guideline listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) *New and amended standards and interpretations not yet adopted*

The following new accounting standard, amendments and interpretation have been published but are not mandatory for 31 March 2023 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 April 2023
Amendments to HKAS 8	Definition of Accounting Estimates (amendments)	1 April 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendments)	1 April 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 April 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 April 2023
HKFRS 17	Insurance Contracts (new standard)	1 April 2023
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 April 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 April 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 April 2024
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are of the opinion that the adoption of the above new standard and amendments to existing standards and interpretation would not have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to existing standards and interpretation when they become effective.

3. REVENUE AND SEGMENT INFORMATION

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Bare shell fit-out	345,987	172,096
Restacking	145,647	200,058
Reinstatement	4,419	6,419
Design	3,862	7,326
Churn works	16,860	25,696
Maintenance and others	824	1,527
	<u>517,599</u>	<u>413,122</u>

The Group's revenue mainly represents revenue from the provision of interior fit-out solutions for the years ended 31 March 2023 and 2022.

Revenue generated from bare shell fit-out, restacking and reinstatement services were recognised over time while revenue generated from churn works, design, maintenance and other services were recognised at a point in time for the years ended 31 March 2023 and 2022.

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 years ended 31 March 2023 and 2022. 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 statements accordingly. The Group primarily operates in Hong Kong and the PRC. 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 below.

Geographical information

The geographical location of customers is based on the location at which the service 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.

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Hong Kong	503,021	389,377
The PRC	14,578	23,745
	<u>517,599</u>	<u>413,122</u>

Information about major customers

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Customer A	N/A (<i>Note</i>)	46,107
Customer B	<u>85,680</u>	<u>N/A (<i>Note</i>)</u>

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

4. OTHER INCOME

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Government subsidies	<u>1,714</u>	<u>49</u>

The amount represents government grant in respect of the Employment Support Scheme and the Distance Business Programme (2022: in respect of the Distance Business Programme) received from the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or other contingencies attaching to the grant. The Group did not benefit directly from any other forms of government assistance.

5. EXPENSES BY NATURE

The Group's profit for the years ended 31 March 2023 and 2022 are stated after charging the following cost of sales and administrative expenses:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Subcontracting charges	441,841	356,205
Staff costs (<i>Note 7</i>)	49,091	44,941
Cleaning expenses	5,400	3,106
Insurance expenses	4,174	2,853
Short-term lease payments	835	248
Auditor's remuneration		
– Audit service	1,431	1,363
Depreciation on right-of-use assets	2,621	3,139
Depreciation on property, plant and equipment	1,089	1,298
Legal and professional fees	3,014	2,663
Other expenses	<u>3,379</u>	<u>4,901</u>
Total cost of sales and administrative expenses	<u>512,875</u>	<u>420,717</u>
Representing:		
Cost of sales	484,167	390,385
Administrative expenses	<u>28,708</u>	<u>30,332</u>
	<u>512,875</u>	<u>420,717</u>

6. FINANCE INCOME/(COSTS) – NET

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Interest income from bank deposits	1,094	161
Interest expense on lease liabilities	(103)	(199)
	<u>991</u>	<u>(38)</u>

7. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Salaries, bonuses and allowances	47,475	43,180
Retirement benefits contributions	1,616	1,761
	<u>49,091</u>	<u>44,941</u>

8. INCOME TAX EXPENSE

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Current income tax		
– Hong Kong profits tax	1,502	275
– Under-provision for prior years	149	370
Deferred tax	(104)	(232)
	<u>1,547</u>	<u>413</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Pursuant to the two-tiered profits tax rates regime, the first HKD2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HKD2 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% (2022: 8.25%) on the first HKD2 million (2022: HKD2 million) of the estimated assessable profits and at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits above HKD2 million (2022: HKD2 million) for the year.

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% (2022: 25%).

No provision for income tax in other jurisdictions has been made as the Group had no assessable profit in other jurisdictions during the year.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under share award scheme during the years ended 31 March 2023 and 2022.

	2023	2022
Profit/(loss) attributable to owners of the Company (<i>HKD'000</i>)	1,040	(5,735)
Weighted average number of ordinary shares in issue less shares held under share award scheme (<i>in thousand</i>)	<u>197,944</u>	<u>197,944</u>
Basic earnings/(loss) per ordinary share (<i>HK cents</i>)	<u>0.53</u>	<u>(2.90)</u>

(b) Diluted

There were no outstanding share options as at 31 March 2023 and 2022 and have no potential dilutive ordinary share in issue. Accordingly, diluted earnings per share is equal to basic earnings per share.

10. DIVIDEND

The Board did not recommend the payment of a final dividend for the years ended 31 March 2023 and 2022.

11. TRADE AND RETENTION RECEIVABLES

	<i>Note</i>	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Trade receivables	<i>(a)</i>	86,765	48,136
Retention receivables	<i>(b)</i>	<u>3,331</u>	<u>1,479</u>
		90,096	49,615
Less: provision for impairment of trade and retention receivables		<u>(1,846)</u>	<u>(4,942)</u>
Trade and retention receivables – net		<u>88,250</u>	<u>44,673</u>

Trade and retention receivables balances are categorised as “financial assets measured at amortised cost”. The maximum exposure to credit risk as at 31 March 2023 and 2022 was the carrying value of each class of receivables mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade and retention receivables approximate their fair values. The trade and retention receivables were mainly denominated in HKD and RMB.

During the year ended 31 March 2023, impaired trade receivables of HKD3,582,000 were written off.

- (a) 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 after 1 year from the date of completion of the works. As at 31 March 2023 and 2022, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Within 30 days	52,948	15,278
31 to 60 days	13,051	1,890
61 to 90 days	7,542	7,729
91 to 180 days	3,814	19,383
Over 180 days	9,410	3,856
	<u>86,765</u>	<u>48,136</u>

- (b) As at 31 March 2023 and 2022, the ageing analysis of the retention receivables based on the invoice date was as follows:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Within 30 days	–	–
31 to 60 days	621	123
61 to 90 days	518	–
91 to 180 days	–	–
Over 180 days	2,192	1,356
	<u>3,331</u>	<u>1,479</u>

- (c) As at 31 March 2023 and 2022, the carrying amounts of gross trade and retention receivables approximate their fair value and were denominated in the following currencies.

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
HKD	88,624	48,206
RMB	1,472	1,409
	<u>90,096</u>	<u>49,615</u>

12. TRADE AND OTHER PAYABLES

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Trade payables	181,830	124,151
Accruals and other payables	3,361	2,172
	<u>185,191</u>	<u>126,323</u>

As at 31 March 2023 and 2022, the aging analysis of the trade payables based on invoice date was as follows:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Within 30 days	154,206	104,833
31 to 60 days	7,219	2,305
61 to 90 days	3,434	7,548
91 to 180 days	6,812	3,417
Over 180 days	10,159	6,048
	<u>181,830</u>	<u>124,151</u>

As at 31 March 2023 and 2022, the carrying amounts of trade and other payables approximate their fair values and were denominated in the following currencies.

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
HKD	179,054	121,702
RMB	6,137	4,621
	<u>185,191</u>	<u>126,323</u>

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 the corresponding project management.

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

During the year ended 31 March 2023, the Group recorded an increase in revenue of 25.3% to HKD517.6 million from HKD413.1 million for the year ended 31 March 2022. The increase was mainly attributable to the increase in revenue from the business of bare shell fit-out. The Group's gross profit increased to HKD33.4 million for the year ended 31 March 2023 from HKD22.7 million for the year ended 31 March 2022, representing an increase of 47.1%.

For the year ended 31 March 2023, the profit attributable to owners of the Company was HKD1.0 million while loss attributable to owners of the Company was HKD5.7 million for the corresponding period of last year.

FINANCIAL 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. For the year ended 31 March 2023, the revenue of the Group was HKD517.6 million, representing an increase of 25.3% compared with HKD413.1 million recorded last year. The increase was mainly attributable to the increase in revenue from the bare shell fit-out.

The following table sets forth a breakdown of the Group's revenue by project types for the year ended 31 March 2023 and 2022:

	Year ended 31 March			
	2023		2022	
Project type	HKD'000	%	HKD'000	%
Bare shell fit-out	345,987	66.8	172,096	41.7
Restacking	145,647	28.1	200,058	48.4
Reinstatement	4,419	0.9	6,419	1.5
Design	3,862	0.7	7,326	1.8
Churn works	16,860	3.3	25,696	6.2
Maintenance and others	824	0.2	1,527	0.4
Total	<u>517,599</u>	<u>100.0</u>	<u>413,122</u>	<u>100.0</u>

As shown in table above, our bare shell fit-out contributed to 66.8% and 41.7% of the Group's total revenue for the year ended 31 March 2023 and 2022, respectively. Revenue from bare shell fit-out was HKD346.0 million for the year ended 31 March 2023, representing an increase of 101.0% compared with HKD172.1 million recorded last year.

From 1 April 2022 and up to the date of this announcement, we were newly awarded a total of 30 bare shell fit-out projects with a total project sum of HKD406.2 million.

Cost of sales and Direct margin

The Group's cost of sales mainly comprised of subcontracting charges and staff costs. Cost of sales for the year ended 31 March 2023 was HKD484.2 million, representing an increase of 24.0% compared with HKD390.4 million recorded last year. The increase was in line with the increase in revenue.

Defined as revenue less subcontracting costs, cleaning expenses, insurance expenses and security expenses, the direct margin of the Group indicates the overall project profitability before taking into account other fixed costs. The following table sets forth the breakdown of the Group's direct margin by project types for the year ended 31 March 2023 and 2022:

	Year ended 31 March			
	2023		2022	
	<i>HKD'000</i>	<i>% of revenue</i>	<i>HKD'000</i>	<i>% of revenue</i>
Project type				
Bare shell fit-out	41,710	12.1	26,568	15.4
Restacking	16,209	11.1	17,550	8.8
Reinstatement	4,111	93.0	844	13.1
Design	2,628	68.0	1,819	24.8
Churn works	1,977	11.7	3,401	13.2
Maintenance and others	215	26.1	220	14.4
Total	66,850	12.9	50,402	12.2

The Group's overall direct margin was HKD66.9 million for the year ended 31 March 2023, representing an increase of 32.7% compared with HKD50.4 million recorded last year. The direct margin ratio for the year ended 31 March 2023 was 12.9%, representing an increase of 0.7 percentage points compared with 12.2% for the corresponding period of last year. Such increase in the direct margin was primarily due to the increase of direct margin from bare shell fit-out.

Other income

Other income for the current year was HKD1.7 million, representing an increase of 1,600.0% compared with HKD0.1 million for the corresponding period of last year. The amount represents government grant in respect of the Employment Support Scheme and the Distance Business Programme (2022: in respect of the Distance Business Programme) received from the Government of the Hong Kong Special Administrative Region.

Administrative expenses

Administrative expenses was HKD28.7 million for the current year, representing a decrease of 5.3% compared with HKD30.3 million recorded last year. Such decrease was primarily attributable to (i) a decrease of HKD1.0 million in administrative staff costs and (ii) a decrease of HKD0.6 million in entertainment.

Finance costs

Finance costs which comprised mainly the interest on the lease liabilities decreased to HKD0.1 million for the year ended 31 March 2023 from HKD0.2 million for the last year.

Income tax expense

Income tax expense for the current year was HKD1.5 million while income tax expense for last year was HKD0.4 million.

Profit/(loss) for the year

Profit was HKD2.9 million for the year ended 31 March 2023 while a loss of HKD7.2 million was recorded for last year.

Profit/(loss) for the year attributable to owners of the Company

Profit attributable to owners of the Company was HKD1.0 million for the year ended 31 March 2023, while loss attributable to owners of the Company was HKD5.7 million for last year.

Dividend

The Board does not recommend the payment of the final dividend for the year ended 31 March 2023 (2022: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

- The Group's business and operation may be affected by the pandemic or public health incident, which may slow down the progress of projects;
- We depend on our subcontractors to carry out various trades of work and bear the risks associated with fluctuations in subcontracting costs, substandard performance and instability of their operations;
- The Group's business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular;
- Most of the revenue is derived from contracts awarded through competitive tendering and the contracts are non-recurring in nature. The Group's business depends on its success on project tenders;
- We determine the tender price based on our estimation of the time and costs involved, which may not be accurate; and
- Our liquidity and financial position may be adversely affected if we cannot receive progress payments or retention money in full in time or at all.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

During the year ended 31 March 2023, the Group financed its operation by its internal resources. As at 31 March 2023, the Group had net current assets of HKD116.7 million (31 March 2022: HKD109.9 million), including cash and cash equivalents balances of HKD109.7 million (31 March 2022: HKD119.8 million) mainly denominated in Hong Kong dollars (“**HKD**”) and Renminbi (“**RMB**”).

The current ratio, being the ratio of current assets to current liabilities, was 1.6 times as at 31 March 2023 (31 March 2022: 1.8 times). The gearing ratio of the Group as at 31 March 2023 was 1.4% (31 March 2022: 2.5%). The gearing ratio is calculated as total debt divided by total equity as at the respective period end, total debt is included lease liabilities.

There has been no change in capital structure of the Company as at 31 March 2023. The equity attributable to owners of the Company amounted to HKD137.6 million as at 31 March 2023 (31 March 2022: HKD136.9 million).

As the revenue and costs of the Group are mainly denominated in HKD and RMB, the Board considers that the Group has no significant foreign exchange exposures.

The Group did not make any foreign exchange related hedges for the year ended 31 March 2023.

PLEDGE OF ASSETS

As at 31 March 2023 and 2022, the Group had not pledged any assets to secure bank facilities or finance lease obligations.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any material capital commitment in relation to the acquisitions (31 March 2022: Nil).

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

During the year ended 31 March 2023, the Group did not have any significant investment, material acquisition or disposal.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group provided guarantees of surety bonds of HKD14.8 million (31 March 2022: HKD4.0 million) in respect of 5 (31 March 2022: 3) construction contract(s) in its ordinary course of business. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND SHAREHOLDERS

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders. During the year ended 31 March 2023, the Group has maintained good relationships with the customers and suppliers and there was no material dispute between the Group and the customers or the suppliers.

Regarding the employees, the Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and professional working environment. During the year ended 31 March 2023, we have provided competitive remuneration packages to our employees to recognise their contribution to the Group.

The principal goal of the Group is to maximize the return to the Shareholders. The Group will focus on our core business for achieving sustainable profit growth and rewarding the Shareholders with dividend payouts while taking into account the business development needs and financial health of the Group.

HUMAN RESOURCES MANAGEMENT

As at 31 March 2023, the Group had a total of 75 (31 March 2022: 83) employees. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance. The total staff cost for the year ended 31 March 2023 amounted to approximately HKD49.1 million (31 March 2022: HKD44.9 million).

MANAGEMENT CONTRACTS

Other than the Directors' service agreements and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year ended 31 March 2023.

SHARE OPTION SCHEME

On 8 December 2017, the Company adopted the share option scheme (the "**Share Option Scheme**"), which falls within the ambit of, and is subject to, the regulations under Chapter 23 of the GEM Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

Qualified participants of the Share Option Scheme include directors (including executive, non-executive and independent non-executive Directors) and employees (whether full-time or part-time) of the Company or any of its subsidiaries or any other person who is in the absolute discretion of the Board has contributed or will contribute to the Group.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 20,000,000 Shares, representing approximately 10% of the total issued share capital of the Company as at the date of this announcement.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The offer of a grant of share options under the Share Option Scheme may be accepted upon payment of a consideration of HKD1 by the grantee.

The Share Option Scheme will remain in force for a period of 10 years commencing on 8 December 2017 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of share options under the Share Option Scheme is determined by the Board, but shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

No share options has lapsed, or have been granted, exercised or cancelled under the Share Option Scheme since its adoption and up to the date of this announcement, hence no outstanding share option as at 31 March 2023 and 2022.

SHARE AWARD SCHEME

On 16 October 2018, the Board approved the adoption of the share award scheme (the “**Share Award Scheme**”) with immediate effect, pursuant to which all eligible persons will be entitled to participate. The purpose of the Share Award Scheme is to recognise the contributions by certain eligible persons and provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The total number of Shares which may be granted under the Share Award Scheme is 2,056,000 Shares, representing approximately 1.03% of the total issued share capital of the Company as at the date of this announcement. No Shares have been granted under the Share Award Scheme since its adoption and up to the date of this announcement.

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

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 March 2023 with all the code provisions in the CG Code as set out in Appendix 15 of the GEM Listing Rules, except the following deviation:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong, being the Chairman and Chief Executive Officer, has been primarily responsible for scrutinizing the performance of management in achieving agreed corporate goals and objectives, monitoring the Group's performance reporting, management and business development, ensuring corporate governance practices and procedures of the Group and formulating business strategies and policies of the Group since 2009. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

OUTLOOK

As the impact of the COVID-19 pandemic continues to recede and the Hong Kong government relaxes its quarantine measures, social and economic activities will formally return to a norm in 2023, which creating huge opportunities for the demand of fit-out for Grade A commercial buildings. According to a recent Jones Lang LaSalle industry research report, despite the increase in the supply of Grade A commercial buildings during the year, the overall office vacancy rate remained stable at 12%, reflecting a steady demand for commercial buildings and the desire and ability of companies to absorb them. At the same time, while Grade A office rents in Hong Kong's core business districts have fallen, companies of all types are looking for new office space to upgrade or expand, which is believed to provide some support to the local fit-out market.

In terms of the medium to long term, although the Group's income has not yet returned to pre-pandemic levels, the Hong Kong government has made it clear that it will accelerate the development of the northern metropolitan area, Tseung Kwan O Area 137 and the expansion of the Science Park and Cyberport, laying a good foundation for the future economic development of Hong Kong and the demand for office and decoration space. The government also has plans to attract more family offices to Hong Kong, which will further stimulate the corresponding demand. With the Group's brand reputation and industry experience accumulated over the years, we believe that with all the positive macro factors, the Group will have more room for growth and will be able to reward our shareholders and stakeholders with better financial performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standards set out in the Required Standard of Dealings throughout the year ended 31 March 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2023, 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 SFO (Chapter 571 of the Laws of Hong Kong)), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors were as follows:

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

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

Notes:

- Shares in which Mr. Wong Sai Chuen is interested in consist of 112,500,000 Shares held by Madison Square International Investment Limited, a company wholly owned by him, in which Mr. Wong Sai Chuen is deemed to be interested under Part XV of the SFO.
- Ms. Hui Man Yee, Maggie, is the spouse of Mr. Wong Sai Chuen and she was also deemed to be interested in 112,500,000 Shares, pursuant to Part XV of the SFO.

(B) Long Position in the Shares of associated corporations

Name of Directors/ chief executive	Name of associated corporation	Capacity/ nature of interest	Number of issued shares held/interested in	Percentage of shareholding
Mr. Wong Sai Chuen	Madison Square International Investment Limited (<i>Note 2</i>)	Beneficial owner	37,500	100%
Ms. Hui Man Yee, Maggie (<i>Note 1</i>)	Madison Square International Investment Limited (<i>Note 2</i>)	Interest of spouse	37,500	100%

Notes:

1. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong Sai Chuen, is deemed to be interested in Mr. Wong Sai Chuen's interest in Madison Square International Investment Limited, pursuant to Part XV of the SFO.
2. Under Part XV of the SFO, a holding company of listed corporation is regarded as an "associated corporation". Madison Square International Investment Limited held 56.25% of our issued share capital and thus was our associated corporation.

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company nor their close associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

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

As at 31 March 2023, so far as known to the Directors, the particulars of the corporate or persons (other than a Director or the chief executive of the Company) which had 5% or more interests and short positions in the shares and the underlying shares of the Company as recorded in the register kept pursuant to section 336 of the SFO were as follows:

Long Position in the Ordinary Shares and Underlying Share of the Company

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

Notes:

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

2. Ms. Hui Man Yee, Maggie is the spouse of Mr. Wong Sai Chuen and she was also deemed to be interested in the 112,500,000 Shares pursuant to Part XV of 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 Part XV of the SFO.
4. Ms. Ho Sin Ying is the spouse of Mr. Wong Kin Kei and she was also deemed to be interested in the 37,500,000 Shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 March 2023, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during the year ended 31 March 2023 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 above), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

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 nor are they aware of any other conflicts of interest which any such person has or may have with the Group during the year.

FINAL DIVIDENDS

The Board do not recommend the payment of a final dividend for the year ended 31 March 2023 and 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING (THE “AGM”)

In order to ascertain the entitlement of Shareholders to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023 (both days inclusive), during which no transfer of Shares will be affected. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 14 August 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and related notes of this results announcement of the Group’s results for the year ended 31 March 2023 have been agreed by the Company’s auditor, PricewaterhouseCoopers, that they were consistent with the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements nor Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the “**Audit Committee**”) with written terms of reference which are no less exacting terms than those set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “**CG Code**”). Currently, the Audit Committee comprises three independent non-executive Directors, Mr. Cheung Chi Man, Dennis, Mr. Chan Charles Cham Chuen and Mr. Law Chun Yat, and chaired by Mr. Cheung Chi Man, Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2023, which is of the opinion that such information has been prepared in accordance with all applicable accounting standards, the requirements under the Companies Ordinance and the GEM Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) as well as the website of the Company (www.sclhk.com). The Company's 2023 annual report will be dispatched to Shareholders and will be published on the aforementioned websites in due course.

By order of the Board of
Sanbase Corporation Limited
Wong Sai Chuen

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 23 June 2023

As at the date of this announcement, the Board comprises Mr. Wong Sai Chuen (Chairman and Chief Executive Officer), Ms. Hui Man Yee Maggie and Dr. Sung Tak Wing Leo being the executive Directors; and Mr. Cheung Chi Man Dennis, Mr. Chan Charles Cham Chuen and Mr. Law Chun Yat being the independent non-executive Directors.

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

This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its publication. This announcement will also be published on the Company's website at www.sclhk.com.