



aeso

**AESO HOLDING LIMITED**

**艾碩控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8341)**



**FIRST QUARTERLY REPORT 2019**

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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.

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*This report, for which the directors (“**Directors**”) of Aeso Holding Limited (“**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“**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 in this report misleading.*

## FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2019 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

*For the three months ended 30 June 2019*

		Three months ended 30 June	
	Notes	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	50,109	22,076
Cost of services		(48,316)	(20,450)
Gross profit		1,793	1,626
Other income	5	29	–
Administrative expenses		(6,802)	(3,647)
Finance costs	6	(978)	(980)
Loss before taxation	7	(5,958)	(3,001)
Taxation	8	–	–
Loss and total comprehensive expenses for the period		(5,958)	(3,001)
Loss per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	10	(2.98)	(1.50)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	15,600	40,201	1,000	(54,696)	2,105
Loss and total comprehensive expense for the Period	-	-	-	(5,958)	(5,958)
<b>As at 30 June 2019 (unaudited)</b>	<b>15,600</b>	<b>40,201</b>	<b>1,000</b>	<b>(60,654)</b>	<b>(3,853)</b>
At 31 March 2018 (audited)	15,600	40,201	1,000	(39,605)	17,196
Adoption of HKFRS 9 (note)	-	-	-	(2,652)	(2,652)
At 1 April 2018 (audited)	15,600	40,201	1,000	(42,257)	14,544
Loss and total comprehensive expense for the Period	-	-	-	(3,001)	(3,001)
As at 30 June 2018 (unaudited)	15,600	40,201	1,000	(45,258)	11,543

Note: Upon the adoption of HKFRS 9 "Financial instrument" on 1 April 2018, the impact of HK\$2,652,000 was recorded as an adjustment to the accumulated losses as at 1 April 2018, which represented the allowance for expected credit losses.

## 1. CORPORATE INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 10 December 2015. 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 and its principal place of business is 18th Floor, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out work of newly built commercial premises and residential developments, and (ii) the renovation work (including alteration and addition) work for existing commercial premises.

The unaudited condensed consolidated financial statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

The unaudited quarterly financial statements of the Group for the three months ended 30 June 2019 are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSS**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules. The unaudited quarterly financial statements should be read in conjunction with the annual report for the year ended 31 March 2019.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2019. The adoption of the new/ revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods except for the application of HKFRS 16 “Leases” which is effective for the Group’s annual periods beginning on or after 1 April 2019. The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and comparative figures were not restated. On adoption of HKFRS 16, the Group will recognise lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate. The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised. The Group also decided not to apply HKFRS 16 to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with the leases are recognised as an expense from short-term lease.

### **3. SEGMENT INFORMATION**

The Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

**(i) Fitting-out work for new projects (“Fitting-out Projects”)**

Provision of fitting-out work for construction of newly built commercial premises and residential developments either as a main contractor or subcontractor.

**(ii) Renovation work and alteration and addition work for old projects (“Renovation Projects”)**

Provision of renovation work and alteration and addition work for existing commercial premises as a main contractor.

No geographical information is presented as the Group’s revenue are all derived from Hong Kong based on the location of services delivered.

#### 4. REVENUE

An analysis of the Group's revenue recognised during the three months ended 30 June 2019 and 2018 is as follows:

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Over time of revenue recognition</b>		
Fitting-out projects	10,620	21,895
Renovation projects	39,489	181
Total	50,109	22,076
Outstanding Contract amount	196,382	214,882

#### 5. OTHER INCOME

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment	29	–

#### 6. FINANCE COSTS

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on:		
Other borrowings	976	977
Finance leases	2	3
Total	978	980

## 7. LOSS BEFORE TAXATION

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Directors' emolument	822	944
Other staff costs:		
Salaries and other allowances	3,012	2,752
Retirement benefit scheme contributions	105	77
Total staff costs	3,939	3,773
Less: amounts included in cost of services	(2,298)	(1,751)
	1,641	2,022
Auditors' remuneration	150	150
Depreciation of property, plant and equipment	232	329
Minimum operating lease rentals in respect of rental premises	599	561

## 8. TAXATION

No provision for Hong Kong Profit Tax has been made as the Group had no assessable profit during the three months ended 30 June 2019 and 2018.

## 9. DIVIDENDS

The Board of directors do not recommend the payment of any dividend for the Period (2018: Nil).



## 10. LOSS PER SHARE

	Three months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share	(5,958)	(3,001)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	200,000,000	200,000,000

Diluted loss per share and basic loss per share are the same for the three months ended 30 June 2019 and 2018 as there were no the potential ordinary shares in issue for the three months ended 30 June 2019 and 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company is an investment holding company and the shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange on 13 January 2017 by way of placing (the “**Placing**”). The Company’s subsidiaries are principally engaged in the provision of fitting-out work for construction of newly built commercial premises and residential developments and renovation (including alteration and addition) work for existing commercial premises in Hong Kong.

During the three months ended 30 June 2019, the Company submitted tenders amounting to approximately HK\$533.1 million and 5 projects were awarded amounting to approximately HK\$76.2 million, which include a Renovation Projects for cinema operator at Tsim Sha Tsui with contract sum of approximately HK\$69.5 million and a private club house at Sai Kung with contract sum of approximately HK\$5.7 million. The tenders are invited by the stable and long-term clients, including listed property developers, based on their trust to our Company and some are from new clients including those sizable developers from PRC.

### Financial Review Revenue

The Group’s overall revenue increased from approximately HK\$22.1 million for the three months ended 30 June 2018 to approximately HK\$50.1 million for the three months ended 30 June 2019, representing an increase of approximately 127%. Such increase was mainly due to the recognition of revenue from abovementioned newly awarded projects.

The revenue for the Fitting-out Projects for the three months ended 30 June 2019 was approximately HK\$10.6 million, represented a decrease of approximately 51.5% from approximately HK\$21.9 million for the same period in 2018.

The revenue for the Renovation Projects for the three months ended 30 June 2019 was approximately HK\$39.5 million, represented an increase of approximately 21717.1% from approximately HK\$0.1 million for the same period in 2018.

### **Cost of Services**

The Group's direct cost increase from approximately HK\$20.4 million for the three months ended 30 June 2018 to approximately HK\$48.3 million for the three months ended 30 June 2019, representing an increase of approximately 136.3%. The increase was due to the increase in revenue and market competition leading to newly awarded projects were not profitable as before.

### **Gross Loss/Profit**

The Group's gross profit amounted to approximately HK\$1.8 million and HK\$1.6 million for the three months ended 30 June 2019 and 2018 respectively, representing an increase of approximately 10.3%.

### **Administrative Expenses**

The Group's administrative expenses amounted to approximately HK\$6.8 million and approximately HK\$3.6 million for the three months ended 30 June 2019 and 2018 respectively, representing an increase of approximately 86.5%. Such increase was due to the increase of tender costs for the period.

### **Loss Attributable to the Owners of the Company**

As a result of the aforesaid, the loss attributable to the owners of the Company was approximately HK\$5.9 million and approximately HK\$3.0 million for the three months ended 30 June 2019 and 2018 respectively.

## Prospect and Outlook

The competitive strengths of the Company, such as (i) an established track record in the market with stable and long-term client relationships with the major clients that include listed property developers; (ii) strong and stable relationships with the major suppliers and subcontractors; (iii) integrated project execution for contracting services; and (iv) a strong and experienced management team with proven track record, continuously contribute to the success of the Group.

The Group will continue focusing on the opportunities in fitting-out works in Hong Kong, especially proposed residential development. The Boards is optimistic about the growth of the business and will keep to tender new fitting out projects including those mainland based property developers which are currently very active in new property development in Hong Kong.

In view of the expected growth of the construction industry in Hong Kong driven by the Hong Kong Government's initiatives to increase the land supply for private housing as well as commercial buildings, the Company is still confident about the prospect of the fitting-out and renovation contracting services in Hong Kong.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2019, the interests of the Directors of the Company in shares, underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### **Long positions in shares and underlying shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary Shares held</b>	<b>Approximate percentage of the issued share capital of the Company as at 30 June 2019</b>
Chan Siu Chung	Beneficial owner	76,500,000	38%

Mr. Chan held through Acropolis Limited in which Mr. Chan is the sole Director and shareholder.

Save as disclosed above, none of the Directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporation as at 30 June 2019.

## **SUBSTANTIAL SHAREHOLDERS AND OTHERS' INTERESTS IN THE SHARES OF THE COMPANY**

As at 30 June 2019, so far as are known to any Directors of the Company, the following parties (other than the Directors or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO:

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary Shares held</b>	<b>Approximate percentage of the issued share capital of the Company as at 30 June 2019</b>
W & Q Investment Limited	Beneficial owner	73,500,000	37%
Liu Chang Kien	Interest in the controlled corporation	73,500,000	37%

Mr. Liu held through W & Q Investment Limited in which Mr. Liu is the shareholder.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other person (other than a Director) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

## Shareholders' Disputes

On 12 July 2017, a controlling shareholder of the Company, Acropolis Limited, which wholly-owned by Mr. Chan Siu Chung ("**Mr. Chan**"), filed a Petition (the "**Petition**") in the action HCCW 218/2017 against, amongst other respondents, the Company, another controlling shareholders, W&Q Investment Limited and Mr. Liu Chang Kien (the "**Action**"). Pursuant to an order (the "**Order**") of the Court of First Instance of the High Court of the Hong Kong Special Administrative Region dated 31 May 2018 under the Action, the joint and several provisional liquidators of the Company have been appointed with effect from the date of the Order.

On 27 March 2019, Acropolis Limited, Mr. Chan, W&Q Investment Limited and Mr. Liu Chang Kien (collectively referred to herein as "**the Parties**") reached a settlement agreement to the best interest of the Company. Finally, these shareholders' disputes was settled on 27 March 2019. As at 29 April 2019, the Court ordered that the Petition be dismissed by the consent of the parties as well as the joint and several provisional liquidators of the Company appointed pursuant to the Order be released.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing Directors' securities transactions 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 Directors during the three months ended 30 June 2019 were Mr. Chan Siu Chung, Mr. Au Siu Kwong, Mr. Zhang Hai Wei, Ms. Zhang Qi, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze, Ms. Yu Wan Ki, Mr. Law Wing Kit, Mr. To Man Choy, Jacky, Mr. Ko Kwok Fai, Dennis, and Ms. Tsang Kwok Shan, Sandy. The Company has made specific enquiries of which Mr. Chan Siu Chung has confirmed that he has complied with the required standards of dealings set out in the GEM Listing Rules during the three months ended 30 June 2019. Since the former Directors (Ms. Zhang Qi, Mr. Law Wing Kit, Mr. To Man Choy, Jacky, Mr. Ko Kwok Fai, Dennis and Ms. Tsang Kwok Shan, Sandy) were resigned or removed before the date of this report, the current Board cannot confirm whether they had complied with the required standards of dealings set out in the GEM Listing Rules during the three months ended 30 June 2019.

## **MANAGEMENT CONTRACTS**

No contracts, other than a contract of service with any Director or any person under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the three months ended 30 June 2019.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in the business that competed or might compete or was likely to compete, either directly or indirectly, with the business of the Group during the three months ended 30 June 2019.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the three months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **EVENTS AFTER THE REPORTING PERIOD**

Trading in the Shares on the Stock Exchange has been suspended at the direction of the Stock Exchange since 12 June 2017. On 22 September 2017, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated the conditions for the resumption of trading in the Shares. As all the resumption conditions have been fulfilled, the resumption of trading in the Shares with effect from 9:00 a.m. on 31 July 2019. Please refer to the announcement of the Company dated 30 July 2019 for details.



## **CORPORATE GOVERNANCE PRACTICES**

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Company believes that its accountability and transparency will be improved thereby instilling confidence to the shareholders of the Company and the public. Throughout the three months ended 30 June 2019, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") set out in Appendix 15 to the GEM Listing Rules except for the following deviations:

### **Provisions A.2.1, A.2.2 and A.2.3 of the CG Code**

Under provision A.2.1 of the CG Code, the role of the Chairman and the Chief Executive Officer should be performed by separate individuals. Mr. Chan Siu Chung is the Chairman who provides leadership for the Board. According to Provisions A.2.2 and A.2.3 of the CG Code, Mr. Chan Siu Chung as the Chairman ensures that all directors are properly briefed on issued arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive directors of the Company collectively oversees the overall management of the Group in each of their specialized executive fields, which fulfils the function of Chief Executive Officer in substance. Therefore, the Company currently has not appointed its Chief Executive Officer to avoid the duplication of duties.

### **Provisions A.1.3 and A.7.1 of the CG Code**

Provisions A.1.3 and A.7.1 of the CG Code stipulate that 14-day notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 7 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

### **Provisions E.1.2 and E.1.3 of the CG Code**

Provisions E.1.2 and E.1.3 of the CG Code set out the requirements on a company in relation to effective communication with shareholders by annual general meeting. During the three months ended 30 June 2019, the Company did not hold annual general meeting. An annual general meeting of the Company for the year 2019 will be arranged in due course in accordance with relevant requirements under Provisions E.1.2 and E.1.3 of the CG Code.

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

As at the date of this report, the Audit and Risk Management Committee was chaired by Mr. Yeung Chun Yue, David, an independent non-executive Director and the other members include Ms. Lai Wing Sze and Ms. Yu Wan Ki, all being independent non-executive Directors of the Company.

The Audit and Risk Management Committee's primary duties include ensuring that the Company's financial statements, annual, interim and quarterly reports and the auditor's report present a true and balanced assessment of the Company's and the Group's financial position; reviewing the Company's and the Group's financial control, internal control and risk management systems; and reviewing the Company's financial and accounting policies and practices. Other duties of the Audit and Risk Management Committee are set out in its specific terms of reference which are posted on the websites of the Company and of the Stock Exchange. The Audit and Risk Management Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit and Risk Management Committee reviewed the Group's accounting principles, practices and compliance and financial report matters including the review of the unaudited condensed consolidated financial statements for the three months ended 30 June 2019.

For and on behalf of  
**Aeso Holding Limited**  
**Chan Siu Chung**  
*Chairman*

Hong Kong, 14 August 2019

*As at the date of this report, the Board comprises Mr. Chan Siu Chung, Mr. Au Siu Kwong and Mr. Zhang Hai Wei as Executive Directors, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze and Ms. Yu Wan Ki as Independent Non-Executive Directors.*