



aeso

AESO HOLDING LIMITED
艾碩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8341)



THIRD QUARTERLY REPORT 2019

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

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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.*

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 31 December 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 and nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019	2018	2019	2018
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	46,931	10,054	149,904	64,029
Cost of services		(39,516)	(9,286)	(133,275)	(58,195)
Gross profit		7,415	768	16,629	5,834
Other income	5	12	–	53	–
Administrative expenses		(5,241)	(3,386)	(17,951)	(11,745)
Share-based payment expenses		(4,182)	–	(4,182)	–
Finance costs	6	(1,098)	(989)	(3,157)	(2,959)
Loss before taxation	7	(3,094)	(3,607)	(8,608)	(8,870)
Taxation	8	–	–	–	–
Loss and total comprehensive expenses for the period		(3,094)	(3,607)	(8,608)	(8,870)
Loss per share attributable to equity holders of the Company					
Basic and diluted (HK cents)	10	(1.55)	(1.80)	(4.30)	(4.44)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2019 (audited)	15,600	40,201	-	1,000	(54,696)	2,105
Loss and total comprehensive expense for the Period	-	-	-	-	(8,608)	(8,608)
Equity-settled share option arrangements	-	-	4,182	-	-	4,182
As at 31 December 2019 (unaudited)	15,600	40,201	4,182	1,000	(63,304)	(2,321)
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	15,600	40,201	-	1,000	(42,257)	14,544
Loss and total comprehensive expense for the Period	-	-	-	-	(8,870)	(8,870)
As at 31 December 2018 (unaudited)	15,600	40,201	-	1,000	(51,127)	5,674

Note: Upon 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 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, 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 of newly built commercial premises and residential developments, and (ii) the renovation work as well as 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 nine months ended 31 December 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.

Going Concern

In preparing these unaudited third quarterly financial statements, the Directors have considered the future liquidity of the Group notwithstanding that the Group has incurred a net loss of approximately HK\$8.6 million during the nine months ended 31 December 2019 and, as of that date, the Group has net current liabilities of approximately HK\$5.6 million and net liabilities of approximately HK\$2.3 million.

The Directors adopted the going concern basis in the preparation of these unaudited quarterly financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1. *Banking facilities*

The Group had obtained banking facilities amounting to HK\$17.0 million in total. All the banking facilities of HK\$17.0 million had been utilised amounting to HK\$5.1 million as at 31 December 2019. The banking facilities would be utilised as the working capital and for financing the ongoing business of the Group. The banking facilities were secured by the properties and/or deposits of Mr. Chan Siu Chung, an Executive Director of the Company, and/or his family member.

2. *Alternate source of funding*

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

3. *Operation plans*

The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

In the opinion of the Directors, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited quarterly financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the unaudited quarterly financial statements.

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 and nine months ended 31 December 2019 and 2018 is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue				
Fitting out projects	41,484	7,429	67,096	44,613
Renovation projects	5,447	2,625	82,808	19,416
Total	46,931	10,054	149,904	64,029

5. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Bank interest income	1	–	2	–
Other income	11	–	22	–
Gain on disposal of property, plant and equipment	–	–	29	–
	12	–	53	–

6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on:				
Bank borrowings	73	–	111	–
Other borrowings	986	986	2,950	2,950
Finance leases	2	3	5	9
Interest on lease liabilities	37	–	91	–
	1,098	989	3,157	2,959

7. LOSS BEFORE TAXATION

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:				
Directors' emolument	2,526	700	3,605	2,578
Other staff costs:				
Salaries and other allowances	4,728	3,011	10,727	9,322
Retirement benefit scheme contributions	150	117	374	318
Total staff costs	7,404	3,828	14,706	12,218
Less: amounts included in cost of services	(2,593)	(2,175)	(7,152)	(6,093)
	4,811	1,653	7,554	6,125
Auditors' remuneration	150	150	450	450
Depreciation of property, plant and equipment	84	329	404	987
Depreciation of right-of-use assets	722	-	1,686	-
Equity-settled share option expense	4,182	-	4,182	-
Minimum operating lease rentals in respect of rental premises	-	564	-	1,687

8. TAXATION

No provision for Hong Kong Profit Tax has been made as the Group had no assessable profit during the nine months and three months ended 31 December 2019 and 2018.

9. DIVIDENDS

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

10. LOSS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Loss:				
Loss for the purpose of calculating basic loss per share	(3,094)	(3,607)	(8,608)	(8,870)
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	200,000,000	200,000,000	200,000,000	200,000,000

Diluted loss per share and basic loss per share are the same for the three months and nine months ended 31 December 2019 and 2018 as the effect of the Company's share options (2018: nil) were anti-dilutive and therefore did not include in the calculation of the diluted earnings per share.

MANAGEMENT DISCUSS 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 nine months ended 31 December 2019, the Company submitted tenders amounting to approximately HK\$1,722.0 million and 18 projects were awarded amounting to approximately HK\$166.0 million, which include a Renovation Projects for cinema operation at Tsim Sha Tsui with contract sum of approximately HK\$69.5 million and two Fitting-out Projects for the proposed residential development at Ma On Shan and at Kwun Tong with contract sums of approximately HK\$34.4 million and HK\$26.2 million respectively. 13 of 18 projects were awarded by new clients, one was a famous medium size local developer, one was a famous commercial chamber in Hong Kong and one was a sizable developer from PRC who started their first property development in Hong Kong. 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 and those entertainment industry, such as cinema/museum.

Financial Review

Revenue

The Group’s overall revenue increased from approximately HK\$64.0 million for the nine months ended 31 December 2018 to approximately HK\$149.9 million for the nine months ended 31 December 2019, representing an increase of approximately 134.1%. Such increase was mainly due to the recognition of revenue from abovementioned newly awarded projects.

The revenue for the Fitting out Projects for the nine months ended 31 December 2019 was approximately HK\$67.1 million, represented an increase of approximately 50.4% from approximately HK\$44.6 million for the same period in 2018.

The revenue for the Renovation Projects for the nine months ended 31 December 2019 was approximately HK\$82.8 million, represented an increase of approximately 326.5% from approximately HK\$19.4 million for the same period in 2018.

Cost of Services

The Group's direct cost increased from approximately HK\$58.2 million for the nine months ended 31 December 2018 to approximately HK\$133.3 million for the nine months ended 31 December 2019, representing an increase of approximately 129.0%. The increase was in line with the increase in revenue during the period.

Gross Profit

The gross profit amounted to approximately HK\$16.6 million and approximately HK\$5.8 million for the nine months ended 31 December 2019 and 2018 respectively, representing an increase of approximately 185.0%.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$11.7 million and approximately HK\$18.0 million for the nine months ended 31 December 2018 and 2019 respectively, representing an increase of approximately 52.8%. Such increase was primarily due to the increase of professional fee incurred in relation to the shareholders' disputes during the nine months ended 31 December 2019.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately HK\$8.6 million and approximately HK\$8.9 million for the nine months ended 31 December 2019 and 2018 respectively. The loss attributable to the owners of the Company was mainly contributed by the equity settled share-based payment expenses of approximately HK\$4.2 million recognised in November 2019.

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 renovation works and fitting out works in Hong Kong, especially renovation projects of entertainment industry such as cinema or museums and leisure facilities such as private club houses. The Boards 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.

However, the recent protests and the outbreak of coronavirus in Hong Kong are the major uncertainties about the economic growth in near future which our management will pay more attention. Besides, the productivity of our materials suppliers in mainland China were adversely affected by the aforesaid reasons which leading to risks of our Company not meeting the contracted completion timeline and the delay booking of project revenue.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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

Name	Capacity	Number of ordinary Shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2019
Chan Siu Chung	Beneficial owner	28,500,000	14.25%
Cheung Hiu Tung – share options	Beneficial owner	2,000,000	1.00%
Zhang Hai Wei – share options	Beneficial owner	2,000,000	1.00%

Mr. Chan held 26,500,000 Shares through Acropolis Limited in which Mr. Chan is the sole Director and shareholder. Also, Mr. Chan held 2,000,000 share options of the Company directly.

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 31 December 2019.

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

As at 31 December 2019, so far as are known to any Directors of the Company, no person (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.

SHARE OPTION SCHEME

A share option scheme of the Company (the "Share Option Scheme") was adopted in Company's annual general meeting on 30 September 2019.

Details of the options outstanding for the nine months ended 31 December 2019 are as follows:

Grantees	Date of grant	No. of shares comprised in options				As at 31 December 2019	Exercise price per share
		As at 1 April 2019	Granted	Exercised	Lapsed		
Executive director							
Chan Siu Chung	15 November 2019	-	2,000,000	-	-	2,000,000	HK\$0.445
Cheung Hiu Tung	15 November 2019	-	2,000,000	-	-	2,000,000	HK\$0.445
Zhang Hai Wei	15 November 2019	-	2,000,000	-	-	2,000,000	HK\$0.445
Other employees	15 November 2019	-	14,000,000	-	-	14,000,000	HK\$0.445
	Total	-	20,000,000	-	-	20,000,000	

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 nine months ended 31 December 2019 were Mr. Chan Siu Chung, Mr. Au Siu Kwong, Mr. Cheung Hiu Tung, Mr. Zhang Hai Wei, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze, Ms. Yu Wan Ki, Ms. Zhang Qi, 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, Mr. Cheung Hiu Tung, Mr. Zhang Hai Wei, Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze, Ms. Yu Wan Ki have confirmed that they have complied with the required standards of dealings set out in the GEM Listing Rules during the nine months ended 31 December 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 and Mr. Au Siu Kwong, a former Executive Director, passed away on 8 October 2019, the current Board cannot confirm whether they had complied with the required standards of dealings set out in the GEM Listing Rules during the nine months ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person under the fulltime 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 nine months ended 31 December 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 nine months ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 31 December 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

Up to the date of this report, there is no significant events occurred after the reporting period.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasis 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 nine months ended 31 December 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.

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 nine months ended 31 December 2019.

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

Hong Kong, 14 February 2020

As at the date of this report, the Board comprises Mr. Chan Siu Chung, Mr. Cheung Hiu Tung 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.