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**aeso**

**AESO HOLDING LIMITED**

**艾碩控股有限公司**

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

**(Stock Code: 8341)**

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE**

**Placing Agent to the Company**



**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the Company's authorised share capital is US\$5 million divided into 500,000,000 Shares. In order to facilitate the Rights Issue and to provide the Company with greater flexibility for potential future fund raising activities, the Board proposes that the authorised share capital of the Company be increased to US\$20 million divided into 2,000,000,000 Shares. The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

## **PROPOSED RIGHTS ISSUE**

The Board proposed to raise up to approximately HK\$48.0 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 600,000,000 Rights Shares at the Subscription Price of HK\$0.080 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

The estimated net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be approximately HK\$45.8 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date), if fully subscribed. The Company intends to apply the net proceeds from the Rights Issue for (i) the repayment of term loans including the interest incurred; and (ii) the settlement of the outstanding payment obligations to subcontractors and materials suppliers of the Group's completed and ongoing projects.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

### **Shareholder Irrevocable Undertaking and Optionholder's Undertakings**

As at the date of this announcement, Mr. Chan is beneficially interested in 26,500,000 Shares, representing approximately 13.25% of the existing issued share capital of the Company. Pursuant to the Shareholder Irrevocable Undertaking, Mr. Chan has provided irrevocable undertaking to the Company, among other things, (i) to take up all of the assured entitlements to the Rights Shares in respect of Shares beneficially owned by him as at the date of the Shareholder Irrevocable Undertaking pursuant to the terms of the Rights Issue provided that the total number of Rights Shares to be subscribed by Mr. Chan under the Rights Issue will be scaled down to the extent that Mr. Chan will not trigger a general offer obligation in accordance to the note to Rule 10.26(2) of the GEM Listing Rules; and (ii) Mr. Chan will not dispose of or transfer any interests in the Company (including Shares) from the date of the Shareholder Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Save for the Shareholder Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from any other substantial shareholder (as defined in the GEM Listing Rules) of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the date of this announcement.

As at the date of this announcement, each of the holders of the Share Options (including three Directors) has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

## **THE PLACING AGREEMENT**

On 3 September 2020 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

### **GEM Listing Rules implications**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, Mr. Chan, who is the Chairman and an executive Director of the Company, has abstained from voting in the Board meeting for approving the proposed Rights Issue. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the proposed Rights Issue who are required to abstain from voting in the Board meeting in respect of the proposed Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, and as to voting.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated hereunder. A circular containing, among other things, (i) details of the Increase in Authorised Share Capital; (ii) further details of the Rights Issue; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Tuesday, 22 September 2020.

Subject to the approval of the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, a Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Friday, 23 October 2020.

## **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.**

**The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.**

**Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.**

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

In order to facilitate the Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Company proposes that the authorised share capital of the Company be increased to US\$20 million and divided into 2,000,000,000 Shares. The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future fundraising and expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders as a whole.

The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

## **PROPOSED RIGHTS ISSUE**

The Board proposed to raise up to approximately HK\$48.0 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 600,000,000 Rights Shares at the Subscription Price of HK\$0.080 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

Further details of the Rights Issue are set out below:

### **Issue statistics**

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.080 per Rights Share
Number of Shares in issue as at the date of this announcement	:	200,000,000 Shares
Number of Rights Shares	:	Up to 600,000,000 Rights Shares with an aggregate nominal value of US\$6 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	Up to 800,000,000 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Amount to be raised	:	Up to approximately HK\$48.0 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date

As at the date of this announcement, there are 20,000,000 outstanding Share Options, which are exercisable during the period from 15 November 2019 to 14 November 2022 at the exercise price of HK\$0.445 each.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 300.00% of the Company's issued share capital as at the date of this announcement and approximately 75% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to Mr. Chan for which subscription of Rights Shares will be subject to the Shareholder Irrevocable Undertaking as set out in the section headed "The Shareholder Irrevocable Undertaking" in this announcement, will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

### **The Shareholder Irrevocable Undertaking**

As at the date of this announcement, Mr. Chan is beneficially interested in 26,500,000 Shares, representing approximately 13.25% of the existing issued share capital of the Company. Pursuant to the Shareholder Irrevocable Undertaking, Mr. Chan has provided irrevocable undertakings to the Company, among other things, (i) to take up all of the assured entitlements to the Rights Shares in respect of Shares beneficially owned by him as at the date of the Shareholder Irrevocable Undertaking pursuant to the terms of the Rights Issue provided that the total number of Rights Shares to be subscribed by Mr. Chan under the Rights Issue will be scaled down to the extent that Mr. Chan will not trigger a general offer obligation in accordance to the note to Rule 10.26(2) of the GEM Listing Rules; and (ii) Mr. Chan will not dispose of or transfer any interests in the Company (including Shares) from the date of the Shareholder Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Save for the Shareholder Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from any other substantial shareholders (as defined in the GEM Listing Rules) of the Company of their intention in relation to the Rights Shares to be allotted to them as at the date of this announcement.

### **The Optionholder's Undertakings**

As at the date of this announcement, each of the holders of the Share Options (including three Directors) has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

### **Subscription Price**

The Subscription Price for the Rights Shares is HK\$0.080 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 16.7% to the closing price of HK\$0.096 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 4.8% to the theoretical ex-rights price of approximately HK\$0.084 per Share based on the closing price of HK\$0.096 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 16.2% to the average of the closing prices of approximately HK\$0.0955 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 16.2% to the average of the closing prices of approximately HK\$0.0955 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined by the Company with reference to, among other things, the recent market price of the Shares, the prevailing market conditions, recent rights issue in the market, the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the section headed "REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS" in this announcement. All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 75.0%. The theoretical dilution effect of the Rights Issue is approximately 12.5% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.0763, if fully subscribed.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.



In order to be registered as members of the Company at the close of business on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (together with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 October 2020.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 October 2020.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

#### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form during the period from 9:00 a.m. on Wednesday, 28 October 2020 to 4:00 p.m. on Wednesday, 4 November 2020 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

**The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Status of Rights Shares**

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, on or after the record date of which is after the date of allotment of the Rights Shares in their fully-paid form. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Fractions of the Rights Shares**

On the basis of provisional allotment of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares, and the Compensatory Arrangements**

Pursuant to GEM Listing Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to independent places for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under GEM Listing Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on 23 November 2020, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares at a price not less than the Subscription Price.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and ES Unsold Rights Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

## **THE PLACING AGREEMENT**

On 3 September 2020 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date	:	3 September 2020 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Sorrento Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates.

- Placing price of the Unsubscribed Rights Shares and/or and the ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price.
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares during the process of placement.
- Commission : 2.5% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement
- The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms.
- Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case maybe) : The placing price of each of the Unsubscribed Rights Shares and/or the ES Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price.
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the ES Unsold Rights during the process of placement.
- Placees : The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies).
- Ranking of Unsubscribed Rights Shares and the ES Unsold Rights Shares : Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.

- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
  - (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
  - (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.

- Termination : The Placing Arrangement shall end on 23 November 2020 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within six Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company. The engagement between the Company and the Placing Agent for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Company and the Placing Agent and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

## **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 5,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

## **Rights Shares will be eligible for admission in CCASS**

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **Stamp duty and other applicable fees**

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

## **Taxation**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

## **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on or before Wednesday, 25 November 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

## **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the Increase in Authorised Share Capital of the Company having becoming effective;
- (c) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (d) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus and the PALs (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by the Prospectus Posting Date; and
- (f) compliance with and performance of all undertakings and obligations of Mr. Chan under the Shareholder Irrevocable Undertaking in all material respects.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above.

**As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.**

## **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES**

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.**

**The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.**

**Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.**



## Closure of register of members

The register of members of the Company will be closed from Tuesday, 6 October 2020 to Monday, 12 October 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Friday, 16 October 2020 to Thursday, 22 October 2020 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

## Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services during Thursday, 26 November 2020 to Wednesday, 16 December 2020 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Further details in respect of the odd lots arrangement will be set out in the circular of the Company to be despatched by the Company in relation to the Rights Issue.

## EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

<b>Event</b>	<b>2020</b>
Announcement of the Rights Issue .....	Thursday, 3 September
Expected despatch date of circular with notice and form of proxy for the EGM .....	on or before Tuesday, 22 September
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM.....	4:30 p.m. on Monday, 5 October
Closure of register of members of the Company for attending the EGM (both days inclusive).....	Tuesday, 6 October to Monday, 12 October
Latest time for lodging forms of proxy for the purpose of the EGM .....	9:00 a.m. on Saturday, 10 October
Record date for determining attendance and voting at the EGM .....	Monday, 12 October
<b>Expected date and time of the EGM .....</b>	<b>9:00 a.m. on Monday, 12 October</b>

**Event****2020****Announcement of poll results of the EGM. . . . . Monday, 12 October**

Last day of dealings in Shares on a cum-rights basis . . . . . Tuesday, 13 October

First day of dealings in Shares on an ex-rights basis . . . . . Wednesday, 14 October

Latest time for the Shareholders to lodge transfer of  
Shares in order to qualify for the Rights Issue. . . . . 4:30 p.m. on Thursday, 15 OctoberClosure of register of members of the Company  
for the Rights Issue (both dates inclusive) . . . . . Friday, 16 October to  
Thursday, 22 OctoberRecord Date for determining entitlements to  
the Rights Issue . . . . . Thursday, 22 October

Register of members of the Company re-opens . . . . . Friday, 23 October

Despatch of Prospectus Documents . . . . . Friday, 23 October

First day of dealings in nil-paid Rights Shares . . . . . 9:00 a.m. on Wednesday, 28 October

Latest time for splitting nil-paid Rights Shares . . . . . 4:30 p.m. on Friday, 30 October

Latest time of dealings in nil-paid Rights Shares. . . . . 4:00 p.m. on Wednesday, 4 November

**Latest time for acceptance of and payment  
for the Rights Shares . . . . . 4:00 p.m. on Monday, 9 November**Announcement of the number of Unsubscribed  
Rights Shares and the ES Unsold Rights  
Shares subject to the Compensatory Arrangements . . . . . Friday, 13 NovemberCommencement of placing of Unsubscribed Rights Shares  
and the ES Unsold Rights Shares by the Placing Agent . . . . . Monday, 16 NovemberLatest time of placing of the Unsubscribed Rights Shares  
and the ES Unsold Rights Shares by the Placing Agent . . . . . Monday, 23 NovemberLatest time for the Rights Issue and placing of  
the Unsubscribed Rights Shares and  
ES Unsold Rights Shares to become unconditional . . . . . Monday, 23 NovemberAnnouncement of results of the Rights Issue (including  
results of the placing of the Unsubscribed Rights Shares  
and the ES Unsold Rights Shares and the amount of  
the Net Gain per Unsubscribed Rights Share and per ES  
Unsold Rights Share under the Compensatory Arrangements) . . . . . Tuesday, 24 November

**Event****2020**

Refund cheques, if any, to be despatched  
(if the Rights Issue does not proceed) . . . . . On or before Wednesday, 25 November

Certificates for fully paid Rights Shares to  
be despatched . . . . . On or before Wednesday, 25 November

Commencement of dealings in  
fully-paid Rights Shares . . . . . 9:00 a.m. on Thursday, 26 November

Designated broker starts to stand in the market to  
provide matching services for odd lots of Shares . . . . . Thursday, 26 November

Last day for the designated broker to provide  
for odd lot matching . . . . . Wednesday, 16 December

Payment of Net Gain to relevant No Action Shareholders  
(if any) or Excluded Shareholders (if any). . . . . Thursday, 17 December

All times and dates in this announcement refer to Hong Kong local times and dates.

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

**EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
  - (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. Announcement will be made by the Company in such event.

## SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 200,000,000 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	<i>Number of Shares</i>	<i>Approx.% (note)</i>	<i>Number of Shares</i>	<i>Approx.% (note)</i>	<i>Number of Shares</i>	<i>Approx.% (note)</i>	<i>Number of Shares</i>	<i>Approx.% (note)</i>
Mr. Chan	26,500,000	13.25	106,000,000	13.25	74,355,000	29.99	106,000,000	13.25
Public Shareholders	173,500,000	86.75	694,000,000	86.75	173,500,000	70.01	173,500,000	21.69
Independent places	–	–	–	–	–	–	520,500,000	65.06
Total	<u>200,000,000</u>	<u>100.00</u>	<u>800,000,000</u>	<u>100.00</u>	<u>247,855,000</u>	<u>100.00</u>	<u>800,000,000</u>	<u>100.00</u>

### Notes:

The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

## REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is 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.

As set out in the annual report of the Company for the year ended 31 March 2020, the Group recorded positive net cash generated from operating activities for the years ended 31 March 2019 and 2020 and 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. Meanwhile, the Board is optimistic about the growth of the business and will continue to tender for new fitting-out projects including those for mainland based property developers which are currently very active in new properties development in Hong Kong. During the year ended 31 March 2020, the Group submitted 109 tenders amounting to approximately HK\$1,901 million and 21 projects were awarded. From 1 April 2020 up to the date of this announcement, the Group submitted 42 tenders amounting to approximately HK\$1,144.5 million. From 1 April 2020 up to the date of this announcement, nine projects, including six projects which had commenced as at the date of this announcement and three projects which had not yet commenced, were awarded and the Group expects to receive more tender invitations going forward.

As set out in the annual report of the Company for the year ended 31 March 2020, the Group recorded net liabilities of approximately HK\$21.1 million and net current liabilities of approximately HK\$24.6 million as at 31 March 2020. As at 31 March 2020, the Group's liabilities mainly comprised of account and other payables of approximately HK\$63.9 million, borrowings from independent third parties of approximately HK\$37.0 million and contract liabilities of approximately HK\$20.0 million.

The Board considers that the Rights Issue represents an opportunity for the Company to (i) repay the term loans from the independent third parties to be due so as to relieve its financial burden and reduce future financing costs; and (ii) settle its outstanding payment obligations to subcontractors and materials suppliers.

It is estimated that the Company will raise up to approximately HK\$48.0 million from the Rights Issue and the relevant expenses would be approximately HK\$2.2 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$45.8 million (equivalent to a net price of approximately HK\$0.0763 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:—

- (i) approximately HK\$19.2 million for the repayment of term loans including the interest incurred; and
- (ii) approximately HK\$26.6 million for the settlement of the outstanding payment obligations to subcontractors and materials suppliers of the Group's completed and ongoing projects.

## **Repayment of term loans from independent third parties**

There are often time lags between making payments to the subcontractors and materials suppliers and receiving payments from the customers. The Group generally pays the materials suppliers at the early stage of the projects and some projects undertaken/to be undertaken by the Group may involve the provision of surety bonds, which require the use of a substantial amount of the Group's cash resources. As such, the Group is not able to avoid large capital commitments at the early stage of the projects and incur finance cost from borrowing when the Group's cash resource is not available at the early stage of the projects. The Group's current banking facilities, which comprise a factoring facility which has been fully utilized and a surety bond facility, cannot fully support the capital commitments of the Group's various projects at the early stage as these banking facilities usually have strict restrictions to their usages. As such, in the past the Group had obtained various short-term borrowings from other independent third parties, and those borrowings may have higher interest rates and are subject to renewal approval from time to time. As at the date of this announcement, the outstanding borrowing from other independent third parties amount to an aggregate of approximately HK\$18.6 million, for which approximately HK\$16.1 million, being the principal and outstanding interest (accrued at 10% per annum up to 31 July 2020) of a term loan, will be matured in 30 November 2020 (the "**Term Loan 1**") and HK\$2.5 million, being the principal and outstanding interest (accrued at 20% per annum up to 31 July 2020) of another term loan will be matured in 30 April 2021 (the "**Term Loan 2**" and together the "**Term Loans**").

As set out in the annual report of the Company for the year ended 31 March 2020, the finance cost of the Group was approximately HK\$3.9 million for the year ended 31 March 2019 and approximately HK\$4.3 million for the year ended 31 March 2020. There is an increasing trend of the finance cost of the Group. The gearing ratio of the Group as at 31 March 2020 was not applicable as the Group had net liabilities of approximately of HK\$21.1 million (The gearing ratio as at 31 March 2019 was approximately 17.7 times).

Having considered the above, the Group intends to use approximately HK\$19.2 million, or approximately 41.9% of the net proceeds from the Rights Issue to settle the Term Loans and the accrued interest up to their respective maturity dates. This allows the Group to (i) avoid the risk of not being able to renew the Term Loans when the Term Loans are due, as call back of the Term Loans without any alternative financing will bring significant detrimental impact to the Group's liquidity; and (ii) reduce future financing cost of the Group.

## **Settlement of the outstanding payment obligations to subcontractors and materials suppliers of the Group's projects**

The Group generally engages subcontractors to perform most of the site works and materials suppliers to supply materials for its projects. As at the date of this announcement, the Group has 20 ongoing projects where the practical completion certificates are yet to be received or there is still outstanding contract sums to be received from customers which include completed projects but the retention monies are not yet released by the customers. As most of our subcontractors for these projects have already submitted their requests for payment based on their work completed and materials suppliers have already issued invoices after delivery of the materials to the work site, we had incurred a significant amount of outstanding payment obligations to these subcontractors and materials suppliers. The credit terms offered by the Group's suppliers and subcontractors generally range from 30 to 60 days after the presentation of invoice from them, and as at 31 July 2020, the outstanding payment obligations to certain subcontractors and materials suppliers for the 20 ongoing projects (the "**Subcontractors and Materials Suppliers**"), which amounted to approximately HK\$31.1 million, had already been overdue as at the date of this announcement.

The Group tend to maintain good relationship with the Subcontractors and Materials Suppliers, and usually engages them to conduct certain parts of the fitting-out or renovation work and supply materials in different projects at the same time as our subcontractors are reliable industrial players which possess extensive experience in their respective fields and our materials suppliers are mostly renowned in the industry. If we are not able to pay the Subcontractors and Materials Suppliers, and direct labors within the prescribed credit period offered, it may affect the implementation of the other projects when they are also our subcontractors and materials suppliers. Furthermore, continual delay of payments to them could negatively affect our relationship with them and the Group may not be able to retain their services in long run.

As at the date of the announcement, the Group is working with certain of the Subcontractors and Materials Suppliers for the following recently awarded projects and expects certain of the Subcontractors and Materials Suppliers to work with us again in the near-future for the following tendered projects as the Group has included quotations from certain of the Subcontractors and Materials Suppliers in the preparation of tender documents to the customers:

### ***Recently awarded projects***

As at the date of this announcement, the Group has been awarded three projects recently from property developers through tendering but had not yet commenced, with an aggregate contract sum of approximately HK\$108.0 million. The following table sets forth the projects that were awarded recently to the Group but had not yet commenced as at the date of this announcement.

<b>Project</b>	<b>Scope of works</b>	<b>Expected project duration</b>	<b>Contract sum</b>	<b>Estimated amount of upfront costs</b>
A residential project with clubhouse in Western Street, Sai Ying Pun, Hong Kong	responsible for the supply and installation of interior fitting-out works to podium, clubhouse and tower	1.5 years	HK\$33.0 million	HK\$29.8 million
A commercial building project in Chek Lap Kok, Hong Kong	responsible for the fitting-out works for typical lift lobbies, toilets and pantries	0.75 years	HK\$58.7 million	HK\$53.5 million
A commercial building project in Chek Lap Kok, Hong Kong	responsible for the fitting-out works for main entrance lobbies	0.75 years	HK\$16.3 million	HK\$15.4 million

Based on the Group's estimated construction schedule for the three recently awarded projects, the estimated payment requirement for the upfront costs for subcontractors and materials suppliers is approximately HK\$40.5 million for the period from September 2020 to February 2021. These recently awarded projects are not expected to bring in net cash inflows before March 2021, due to time lags between making payments to the subcontractors and materials suppliers and receiving payments from the customers, as aforementioned.

### ***Our tendered projects***

On the other hand, as at the date of this announcement, excluding the tenders submitted for over four months ago as the Directors consider successful tender result is usually received within four months, the Group has 20 tenders for fitting-out works and 14 tenders for renovations works pending results of the tenders with an aggregate contract sum of approximately HK\$753.0 million and approximately HK\$346.4 million respectively. The results of the tender are expected to be announced by the customers in succession in the next three months. Taking into account of the Group's historical tender successful rate, the Group expects contract sum of approximately HK\$60.2 million for fitting-out work and contract sum of approximately HK\$79.7 million for renovation work may be awarded to us within the next three months (the “**Estimated Projects to be Awarded**”).

The earliest commencement date of constructions of the Estimated Projects to be Awarded is expected to be in October 2020. The aggregate contract sum to be received from the Estimated Projects to be Awarded is approximately HK\$12.0 million and the estimated payment requirement for the upfront costs (excluding surety bonds) is approximately HK\$18.6 million for the period from October 2020 to December 2020. These Estimated Projects to be Awarded are not expected to bring in net cash inflows before January 2021, due to time lags between making payments to the subcontractors and materials suppliers and receiving payments from the customers, as aforementioned.

In light of the above, the Board is of the view that it is crucial to settle the long outstanding payments obligations to the Subcontractors and Materials Suppliers in order to avoid the risk of affecting the progress and implementation of the Group's other recently awarded or future projects, and the Group intends to use approximately HK\$26.6 million, or approximately 58.1% of the net proceeds from the Rights Issue accordingly.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is less than HK\$19.2 million, all of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of term loans from independent third parties. If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is more than HK\$19.2 million, HK\$19.2 million of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of term loans from independent third parties and the remaining net proceeds will be applied to the settlement of the outstanding payment obligations to subcontractors and materials suppliers of the Group's projects.



## **FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS**

The Company has not conducted any fund raising activities involving issue of its securities in the past 12 months immediately preceding the date of this announcement.

## **POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS**

Pursuant to the terms of the Share Option Scheme and the terms, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

## **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, Mr. Chan, who is the Chairman and an executive Director of the Company, has abstained from voting in the Board meeting for approving the proposed Rights Issue. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the proposed Rights Issue who are required to abstain from voting in the Board meeting in respect of the proposed Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, and as to voting.

## GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated hereunder. A circular containing, among other things, (i) details of the Increase in Authorised Share Capital; (ii) further details of the Rights Issue; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Tuesday, 22 September 2020.

Subject to the approval of the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, a Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Friday, 23 October 2020.

## DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	AESO Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8341)
“Company (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong

“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.26(2) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from US\$5 million divided into 500,000,000 Shares to US\$20 million divided into 2,000,000,000 Shares

“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Latest Placing Date”	23 November 2020 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares
“Latest Placing Time”	5:00 p.m. on the Latest Placing Date
“Latest Time for Acceptance”	4:00 p.m. on Monday, 9 November 2020, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Last Trading Day”	3 September 2020, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Long Stop Date”	24 November 2020 or such later date as may be agreed between the Placing Agent and the Company in writing
“Mr. Chan”	Mr. Chan Siu Chung, the Chairman and an executive Director of the Company
“Net Gain”	Any premiums paid by the placees over the Subscription Price for the Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements
“No Action Shareholders”	Qualifying Shareholders (excluding Mr. Chan) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Optionholder’s Undertaking(s)”	the undertaking (s) executed on 3 September 2020 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the Record Date

“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Sorrento Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.26(2) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 3 September 2020 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as described in the section headed “The Placing Agreement” in this announcement

“Placing Period”	a period commencing from the second Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Monday, 16 November 2020, and ending at the Latest Placing Time
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and PAL
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Thursday, 22 October 2020 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	Up to 600,000,000 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of US\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 30 September 2019
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme

“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder Irrevocable Undertaking”	the irrevocable undertaking executed on 3 September 2020 by Mr. Chan in favour of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.080 per Rights Share
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“US”	the United States of America
“%”	per cent

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

Hong Kong, 3 September 2020

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

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at [www.aeso.hk](http://www.aeso.hk).*