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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, 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 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 in this announcement misleading.*

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017 (the "**Reporting Period**") together with the comparative audited figures for the year ended 31 March 2016. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**114,685**	180,391
Cost of services		**(106,503)**	(148,757)
Gross profit		**8,182**	31,634
Other income	*5*	**127**	13
Other gains and losses	*6*	**–**	764
Listing expenses		**(12,565)**	(2,413)
Administrative expenses		**(21,265)**	(12,290)
Finance costs	*7*	**(273)**	(705)
(Loss)/profit before taxation	*8*	**(25,794)**	17,003
Taxation	*10*	**(945)**	(3,281)
(Loss)/profit and total comprehensive (expense)/income for the year		**(26,739)**	13,722
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted *(HK cents)*	*11*	**(24.23)**	17.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**3,727**	361
Rental deposits	*12*	**589**	265
		4,316	626
Current assets			
Amounts due from customers for contract works		**1,563**	19,187
Account and other receivables	*12*	**47,951**	22,233
Tax recoverable		**2,574**	–
Pledged bank deposits		**18,281**	2,021
Bank balances and cash		**10,577**	9,626
		80,946	53,067
Current liabilities			
Amounts due to customers for contract works		**13,520**	921
Account and other payables	*13*	**14,038**	20,218
Advances drawn on account receivables factored with recourse		**3,915**	1,678
Amount due to ultimate holding company		**–**	173
Amount due to a director		**–**	1
Dividend payable		**–**	1,924
Bank borrowings		**–**	2,335
Obligations under finance leases		**338**	–
Tax payable		**–**	2,980
		31,811	30,230
Net current assets		**49,135**	22,837
Total assets less current liabilities		**53,451**	23,463

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current liabilities			
Obligations under finance leases		**898**	–
Deferred tax liabilities		**112**	44
		1,010	44
Net assets		**52,441**	23,419
Capital and reserves			
Share capital		**15,600**	40
Reserves		**36,841**	23,379
Total equity		**52,441**	23,419

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 December 2015. Its ultimate controlling party is Acropolis Limited. The address of the registered office and the principal place of business of the Company are 18/F., 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 consolidated financial statements are presented in Hong Kong Dollar ("**HK$**"), which is the same as the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations (the "**new and amendments to HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for annual periods on or after 1 April 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above new and amendments to HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

New and amendments to HKFRSs in issue not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 3	Definition of a business[7]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRS 15	Clarification of HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrecognised losses[1]
Amendments to HKAS 40	Transfer of Investment Property[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments HKAS 19	Plan Amendment, Curtailment or Settlement[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKFRSs	Annual Impairments to HKFRSs 2014-2016 Cycle[8]
Amendments to HKFRSs	Annual Impairments to HKFRSs 2015-2017 Cycle[3]
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 1 and HKAS 28[2]
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[3]

[1] Effective for annual periods beginning on or after 1 April 2017, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 April 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 April 2019, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 April 2020, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 April 2021, with earlier application permitted.

[6] Effective for annual periods beginning on or after a date to be determined.

[7] Effective for business combinations and asset acquisitions for which the acquisitions date is on or after the beginning of the first annual period beginning on or after 1 April 2020.

[8] Effective for annual periods beginning on or after 1 April 2017 or 1 April 2018, as appropriate.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported as the timing of revenue recognition may be affected and more disclosures relating to revenue is required in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all lessee by lessees, except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments under HKAS 17 are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carried forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Total operating lease commitment of the Group in respect of its office as at 31 March 2017 amounted to approximately HK$5,263,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results at this stage but it is expected certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with accounting policies conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. REVENUE AND SEGMENT INFORMATION

Information are reported to the executive directors of the Company, who are also the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and performance assessment.

Specifically, 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.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 March 2017

	Fitting-out Projects *HK$'000*	**Renovation Projects** *HK$'000*	**Total** *HK$'000*
Revenue			
Segment revenue	**39,730**	**74,955**	**114,685**
Segment (loss)/profit	**(617)**	**8,799**	**8,182**
Unallocated income			**127**
Unallocated expenses			**(34,103)**
Loss before taxation			**(25,794)**

For the year ended 31 March 2016

	Fitting-out Projects *HK$'000*	Renovation Projects *HK$'000*	Total *HK$'000*
Revenue			
Segment revenue	63,879	116,512	180,391
Segment profit	10,822	20,812	31,634
Unallocated income			838
Unallocated expenses			(15,469)
Profit before taxation			17,003

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss)/profit represents the (loss)/profit from each segment before taxation without allocation of other income, other gains and losses, listing expenses, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong.

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the Group's revenue are as follows:

	Operating segment	**2017** ***HK$'000***	2016 *HK$'000*
Customer 1	Renovation Projects	**–**	23,739
	Fitting-out Projects	**–**	21,979
		– [1]	45,718
Customer 2	Renovation Projects	**24,156**	37,836
Customer 3	Fitting-out Projects	**–** [1]	33,107
Customer 4	Renovation Projects	**–** [1]	31,409
Customer 5	Fitting-out Projects	**16,490**	N/A
Customer 6	Renovation Projects	**18,263**	N/A
Customer 7	Renovation Projects	**24,931**	N/A

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**15**	13
Sundry income	**5**	–
Gain on disposal of property, plant and equipment	**107**	–
	127	13

6. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Fair value change on property, plant and equipment upon distribution	**–**	825
Loss on written off of property, plant and equipment	**–**	(61)
	–	764

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**26**	213
Bank overdrafts	**116**	341
Finance leases	**11**	32
Advances drawn on account receivables factored with recourse	**120**	119
	273	705

8. (LOSS)/PROFIT BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:		
Directors' emolument	**4,390**	3,123
Other staff costs:		
Salaries and other allowances	**10,648**	11,145
Retirement benefits scheme contributions	**420**	369
Total staff costs	**15,458**	14,637
Less: amounts included in cost of services	**(5,938)**	(7,468)
	9,520	7,169
Auditors' remuneration	**500**	1,000
Impairment loss recognised on accounts and retention receivables	**3,391**	–
Depreciation of property, plant and equipment	**572**	706
Minimum operating lease rentals in respect of rental premises	**1,981**	1,066

9. DIVIDENDS

Aeso distributed interim dividends of and HK$6,789,000 for the year ended 31 March 2016, to the Controlling Shareholder, its then shareholder prior to the Group Reorganisation of which HK$1,789,000 and HK$3,076,000 for the year ended 31 March 2016 was settled through distribution of motor vehicles and offset with an amount due to a director respectively. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

The Board of directors do not recommend the payment of any dividend for the year ended 31 March 2017.

The rates of dividend declared and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this announcement.

10. TAXATION

	2017 ***HK$'000***	2016 *HK$'000*
Current tax – Hong Kong		
– Provision for the year	**–**	3,406
– Under-provision in prior year	**877**	–
Deferred tax	**68**	(125)
	945	3,281

No provision for Hong Kong Profit Tax has been made as the Group had no assessable profit for the year (2016: 16.5%).

11. (LOSS)/EARNINGS PER SHARE

	2017 ***HK$'000***	2016 *HK$'000*
(Loss)/earnings:		
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	**(26,739)**	13,722
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**110,335,616**	76,500,000

For the year ended 31 March 2016, the weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the year has been retrospectively adjusted for the share sub-division and capitalisation.

Diluted (loss)/earnings per share and basic (loss)/earnings per share are the same for the year ended 31 March 2017 and 2016 as there were no potential ordinary shares in issue during both the years.

12. ACCOUNT AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Account receivables *(note a)*	**36,405**	8,837
Less: allowance for doubtful debts	**(2,450)**	–
	33,955	8,837

The Group allows an average credit period of 30 days to its customers. The aged analysis of the Group's account receivables at the end of each reporting period:

	2017 *HK$'000*	2016 *HK$'000*
Account receivables:		
Within 30 days	**31,439**	8,837
31 – 60 days	**–**	–
61 – 120 days	**2,516**	–
121 – 365 days	**–**	–
Over 365 days	**–**	–
	33,955	8,837

13. ACCOUNT AND OTHER PAYABLES

The average credit period on account payables is 30 days. The aging analysis of the account payables based on invoice dates at the end of each reporting period is as follows:

	2017 *HK$'000*	2016 *HK$'000*
1 – 30 days	**3,390**	7,987
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**–**	258
	3,390	8,245

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the year ended 31 March 2017, the Company submitted tenders amounting to approximately HK$1,448.8 million and 6 projects were awarded amounting to approximately HK$114 million, which include (i) a Fitting-out Project of typical flats in Wanchai with contract sum of approximately HK$40.8 million and (ii) a Renovation Project of a Government Authority with contract sum of approximately HK$15.7 million. The tenders are invited by the stable and long-term clients, including listed property developers, based on their trust to the Company and some are from new clients including those sizable developers from the PRC.

Financial Review

Revenue

The Group's overall revenue decreased from approximately HK$180.4 million for the year ended 31 March 2016 to approximately HK$114.7 million for the year ended 31 March 2017, representing a decrease of approximately 36.4%. Such decrease was mainly due to delay in certification of certain payment applications by customers or delay in site construction caused by the project's main contractor.

The revenue for the Fitting-out Projects for the year ended 31 March 2017 was approximately HK$39.7 million, represented a decrease of approximately 37.8% from approximately HK$63.9 million for the same period in 2016. The decrease was mainly due to delay in site construction caused by the project's main contractor of a project with a contract sum of HK$61.7 million.

The revenue for the Renovation Projects for the year ended 31 March 2017 was approximately HK$75.0 million, represented a decrease of approximately 35.7% from approximately HK$116.5 million for the same period in 2016. The decrease was also due to delay in certification of certain payment applications by customers.

Cost of Services

The Group's direct cost decreased from approximately HK$148.8 million for the year ended 31 March 2016 to approximately HK$106.5 million for the year ended 31 March 2017, representing a decrease of approximately 28.4%. Such decrease was in line with the drop of revenue.

Gross Profit

The Group's gross profit amounted to approximately HK$31.6 million and HK$8.2 million for the years ended 31 March 2016 and 2017 respectively, representing a decrease of approximately 74.1%. Such decrease was in line with the drop of revenue.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK$12.3 million and HK$21.3 million for the years ended 31 March 2016 and 2017 respectively, representing an increase of approximately 73.0%. Such increase was primarily due to the bad debts arised from bankruptcy of one of our customers of approximately HK$3.4 million, legal and professional fee of approximately HK$1.6 million and rental expenses of HK$1 million incurred during the year ended 31 March 2017.

Loss/Profit attributable to the owners of the Company

As a result of the aforesaid, the loss attributable to the owners of the Company for the year ended 31 March 2017 was approximately HK$26.7 million. The profit attributable to the owners of the Company for the year ended 31 March 2016 was approximately HK$13.7 million.

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 the Kai Tak Development (i.e. Kai Tak Outline Zoning Plan) which is a redevelopment of the former Kai Tak Airport area to a complex with a mix of community, housing, business, tourism and infrastructural uses. The Group has strengthened its capacity by completing the Fitting-out Project for a residential development in Kowloon City under project mentioned in (iii) above which proved our ability and provided a track record and job reference for Kai Tak Development scheme.

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.

Liquidity and Financial Resources

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from shareholders. As at 31 March 2017, the Group had net current assets of approximately HK$49.1 million (31 March 2016: HK$22.8 million), bank balances and cash of approximately HK$10.6 million (31 March 2016: HK$9.6 million) and pledged bank deposit of approximately HK$18.3 million (31 March 2016: HK$2.0 million).

The gearing ratio of the Group as at 31 March 2017 was approximately 0.08 times (31 March 2016: approximately 0.2 times), which remained low as the Group was not in need of any material debt financing during the year ended 31 March 2017. The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2017. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

Certain cash deposits of the Group of approximately HK$18.3 million as at 31 March 2017 (31 March 2016: HK$2.0 million) are charged to the bank to secure general banking facilities.

Commitments

As at 31 March 2017, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follow:

	HK$'000
Minimum lease payments under operating leases	
Within one year	2,116
In the second to fifth year inclusive	3,147
	5,263

Capital Structure

The Shares of the Company were listed on the GEM on 13 January 2017. There has been no change in capital structure of the Company since 13 January 2017.

Significant Investments

As at 31 March 2017, there was no significant investment held by the Group (31 March 2016: Nil).

Acquisitions and Disposals and Future Plans for Material Investments and Capital Assets

The Group did not have any acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2017. Save as disclosed in the paragraphs "Comparison of Business Objectives and Actual Business Progress" of this announcement, the Group did not have other plans for acquisitions or capital assets.

Foreign Exchange Exposure

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. As at 31 March 2017, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employees and Remuneration Policy

As at 31 March 2017, the Group had 37 employees (31 March 2016: 29 employees). The remuneration policy of the employees of the Group was set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and housing allowance to its employees in Hong Kong.

A remuneration committee was set up for, inter alia, reviewing the Group's remuneration policy and structure for all directors and senior management of the Group.

Comparison of Business Objectives and Actual Business Progress

An analysis comparing the business objectives set out in the prospectus of the Company dated 30 December 2016 (the "**Prospectus**") with the Group's actual business progress for the period from 13 January 2017 (the "**Listing Date**") to 31 March 2017 is set out below:

Business objectives up to 31 March 2017	Actual Business Progress up to 31 March 2017
Further developing the Group's contracting business	The company has utilised the proceeds in security of surety bond to new business. In addition, the Company has successfully developed a team of designers to develop design had build projects and will keep going to enlarge the proportion of design and build projects to our overall business scale.
Acquisition of premises in Hong Kong	The company originally intends to acquire a new premises located in Wong Chuk Hang in Hong Kong but such plans was delayed as a consequence of the shareholder's disputes. The Company is still exploring another suitable premises with favourable offer for the use as showroom/warehouse with the view of maximizing the shareholders interest.

Business objectives up to 31 March 2017	Actual Business Progress up to 31 March 2017
Expansion of the Hong Kong office	Maintaining the office located at 18/F., the Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong
Decoration of the Hong Kong office	Fitted out the office located at 18/F., The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong and purchased new office equipment
Purchase of motor vehicles	Three motor vehicles were purchased for materials and transportation of staff
Further strengthening the Group's in-house team	A Marketing Manager was newly recruited from 20 January 2017

Use of Proceeds from the Placing

The net proceeds from the Placing, after deducting listing related expenses, were approximately HK$40.6 million, which was different from the estimated net proceeds of approximately HK$41.6 million. The Group intends to adjust the use of net proceeds in the same manner and in the same proportion as shown in the Prospectus. An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2017 is set out below:

	Adjusted use of net proceeds in the same manner and in the same proportion as stated in the Prospectus *HK$ million*	Adjusted use of net proceeds in the same manner and in the same proportion from the Listing Date up to 31 March 2017 *HK$ million*	Actual use of net proceeds from the Listing Date up to 31 March 2017 *HK$ million*
Further developing the Group's contracting business	22.8	10.0	10.0
Acquisition of premises in Hong Kong	5.7	5.7	–
Expansion of the Hong Kong office	1.7	0.3	0.3
Decoration of the Hong Kong office	1.9	1.9	1.9
Purchase of motor vehicles	1.2	1.2	1.2
Further strengthening the Group's in-house team	3.2	0.4	0.1
General working capital	4.1	1.0	1.0
Total	40.6	20.5	14.5

Shareholders' Disputes

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

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

SHARE OPTION SCHEME

For the period from the Listing Date up to 31 March 2017, there was no share option scheme has been adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the paragraphs headed "Shareholders' Disputes" in this announcement, the Boards were not aware of any events after the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Company believes that its accountability and transparency will be improved thereby instilling confidence to the shareholders of the Company and the public. Throughout the Reporting Period, 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. l 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.

Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the independent non-executive Directors without the executive Directors present. During the Reporting Period, the Chairman did not hold meeting with the independent non-executive Directors without the executive Directors present. The Chairman confirms that he will hold annual meeting with the independent non-executive Directors annually in the absence of the executive Directors.

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

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

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the date of this announcement, 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 audited financial statements for the Reporting Period.

In the independent auditors' report for the Reporting Period, the external auditor of the Company has included the following paragraph in the auditor's opinion to draw the shareholders' attention:

> "EMPHASIS OF MATTER
>
> We draw attention to the consolidated financial statements, which describes the winding-up proceedings against the Company which arose due to disputes amongst the controlling shareholders of the Company. On 29 April 2019, the Court ordered that the winding-up proceedings be dismissed by the consent of the parties. Our opinion is not modified in respect of this matter."

COMPLIANCE ADVISOR

As at the date of this announcement, the Company is searching for a compliance adviser pursuant to Rule 6A.27 of the GEM Listing Rules and will make appropriate announcement as soon as the compliance adviser has been appointed.

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 Year were Mr. Chan Siu Chung, Mr. Cheung Hiu Tung, Ms. Zhang Qi, Mr. Law Wing Kit, Mr. Lee Chi Chung, Mr. Or Chun Man, and Mr. Leung Ka Kui, Johnny. The Company has made specific enquiries of which Mr. Chan Siu Chung has confirmed that he has complied with the required standards of dealings set out in the GEM Listing Rules during the Reporting Period. Since the former Directors (Mr. Cheung Hiu Tung, Ms. Zhang Qi, Mr. Law Wing Kit, Mr. Lee Chi Chung, Mr. Or Chun Man, Mr. Leung Ka Kui, Johnny) were resigned or removed before the date of this announcement, the current Board cannot confirm whether they had complied with the required standards of dealings set out in the GEM Listing Rules during the Reporting Period.

TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The financial figures in respect of the preliminary announcement of the Group's results for the Reporting Period have been agreed by the external auditors of the Company, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.aeso.hk). This announcement for the Reporting Period containing all the information required by the GEM Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to the Company's shareholders in due course.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended at the direction of the Stock Exchange since 12 June 2017. On 22 September 2017, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated the following conditions for the resumption of trading in the shares of the Company (the "**Resumption Conditions**"):

(1) Demonstrate to have a valid board of directors in accordance with the Company's articles of association;

(2) Address the allegation about the lack of an open market in the Company's shares required under Rule 11.23(7) of the GEM Listing Rules;

(3) Publish all outstanding financial results as required under the GEM Listing Rules and address any audit qualifications;

(4) Inform the market of all material information relating to the Company; and

(5) Have the winding-up petitions against the Company withdrawn or dismissed and provisional liquidators discharged.

To the best knowledge of the Board, (i) the Company has a valid board of directors in accordance with the Company's articles of association; and (ii) the winding-up petitions against the Company was withdrawn and the provisional liquidators was discharged. Therefore, Resumption Conditions (1) and (5) have been satisfied. The Company shall take appropriate steps to fulfill the outstanding Resumption Conditions as soon as practicable and will keep its shareholders of the Company and potential investors informed of the progress as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 27 June 2019

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

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of the publication and on the website of the Company at www.aeso.hk.