



ALLIED SUSTAINABILITY AND  
ENVIRONMENTAL CONSULTANTS GROUP LIMITED  
沛然環保顧問有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8320



FIRST QUARTERLY REPORT  
**2017**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of Allied Sustainability and Environmental Consultants Group Limited (the "Company" and the "Directors", respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# FINANCIAL HIGHLIGHTS

Revenue of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2017 amounted to approximately HK\$9.8 million while gross profit of the Group for the same period amounted to approximately HK\$5.5 million.

The net profit after tax of the Group for the three months ended 30 June 2017 amounted to approximately HK\$1.3 million which is improved from the net loss after tax of approximately HK\$4.4 million for the three months ended 30 June 2016, mainly attributed to (1) the increase of the total revenue of the Group by approximately HK\$1.7 million from approximately HK\$8.1 million for the three months ended 30 June 2016 to approximately HK\$9.8 million for the three months ended 30 June 2017 and (2) the non-incurrence of any listing expenses for the three months ended 30 June 2017, whereas there was listing expenses of approximately HK\$6.8 million incurred in the three months ended 30 June 2016.

The board of Directors (the “Board”) has resolved not to declare the payment of any dividend for the three months ended 30 June 2017.



# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

The Board announces the unaudited first quarterly consolidated results of the Group for the three months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, which have not been reviewed by the independent auditor but have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2017

	Note	Unaudited Three months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	4	9,778	8,093
Cost of services provided		(4,257)	(3,595)
Gross profit		5,521	4,498
Other income and gains		1	–
Administrative expenses		(3,994)	(8,392)
Finance costs	5	–	(6)
Profit/(Loss) before tax	6	1,528	(3,900)
Income tax expenses	7	(260)	(491)
Profit/(Loss) and total comprehensive income for the period		1,268	(4,391)
Dividends	9	–	(2,800)
Profit/(Loss) for the period		1,268	(4,391)
Basic earnings/(loss) per share (HK cents)	8	0.11	(0.44)
Other comprehensive income for the period, net of tax			
– Change in fair value of available-for-sale financial assets		(372)	–
Total comprehensive income/(loss) for the period attributable to owners of the Company		896	(4,391)



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Issued capital HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Shares held under share award scheme HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>At 1 April 2016</b>	424	21,424	-	-	21,945	43,793
Loss and total comprehensive loss for the period	-	-	-	-	(4,391)	(4,391)
Dividends	-	-	-	-	(2,800)	(2,800)
<b>At 30 June 2016</b>	424	21,424	-	-	14,754	36,602
<b>At 1 April 2017</b>	12,000	61,102	(151)	(4,099)	13,057	81,909
Profit and total comprehensive income for the period	-	-	(372)	-	1,268	896
<b>At 30 June 2017</b>	12,000	61,102	(523)	(4,099)	14,325	82,805

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2017

## 1. Corporation Information, Reorganisation and Basis of Presentation

### (a) General information

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the three months ended 30 June 2017, the Company's subsidiaries were principally engaged in the provision of consultancy services relating to green building certification consultancy, sustainability and environmental consultancy, acoustics, noise and vibration control and audio-visual design consultancy and environmental, social and governance ("ESG") reporting and consultancy in Hong Kong, Macau and the People's Republic of China ("Mainland China" or the "PRC").

The issued ordinary shares of the Company (the "Shares") were initially listed on the GEM on 17 October 2016 (the "Listing Date").

This condensed consolidated financial information is presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

### (b) Basis of Preparation and Presentation

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2017 (the "Financial Information") comprise the Company and its subsidiaries and should be read in conjunction with the annual financial statements for the year ended 31 March 2017. Except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2017, the accounting policies and method of computation applied in preparing the Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2017 as described in those annual financial statements.

The Company was incorporated in the Cayman Islands on 11 November 2015. On 22 September 2016, as part of the reorganisation arrangements the Company has undergone in preparation for the listing of Shares on the GEM (the "Reorganisation"), the entire issued share capital of AEC Group Limited ("AEC BVI") was transferred to the Company in consideration for an issue of the Company's shares to the equity shareholders of AEC BVI (the "Share Transfer"). Upon the completion of the Share Transfer on 22 September 2016, the Company became the parent company of AEC BVI and its subsidiaries, and the holding company of the Group.



# Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2017

## 1. Corporation Information, Reorganisation and Basis of Presentation (Continued)

### (b) Basis of Preparation and Presentation (Continued)

AEC BVI was incorporated in the British Virgin Islands (the “BVI”) on 30 January 2015. On 24 March 2015, the then shareholders of Allied Environmental Consultants Limited (沛然環境評估工程顧問有限公司) (“AEC Hong Kong”) transferred their shares in AEC Hong Kong to AEC BVI in return for an issue of AEC BVI’s shares (the “AEC BVI Share Transfer”). Upon the completion of the AEC BVI Share Transfer, AEC BVI became the immediate holding company of AEC Hong Kong.

The companies that took part in the Share Transfer were controlled by the same group of ultimate equity shareholders before and after the Share Transfer and there were no changes in the business and operations of AEC BVI and its subsidiaries. The Share Transfer only involved incorporating the Company with no prior substantive operations as the holding company of AEC BVI and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that of a reverse acquisition with AEC BVI being treated as the acquirer for accounting purposes. The same basis applies to the AEC BVI Share Transfer, with the AEC BVI Share Transfer accounted for using a principle similar to that of a reverse acquisition with AEC Hong Kong being treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of AEC BVI and its subsidiaries, with the assets and liabilities of the Group being recognised and measured at their historical carrying amounts prior to the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence since 1 April 2015 and throughout the entire reporting period.

The issued Shares were initially listed on the GEM on the Listing Date. 204,000,000 Shares were issued at a placing price of HK\$0.28 per Share. On the same date, 995,990,000 of the new Shares were issued through capitalisation of HK\$9,960,000 standing to the credit of the share premium account of the Company.

All significant intragroup transactions and balances have been eliminated on consolidation.



# Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2017

## 2. Accounting Policies

The Financial Information has been prepared on the historical cost basis.

The accounting policies and methods of computation used in the Financial Information are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2017 included in the annual report 2017.

## 3. Significant Accounting Estimates

The preparation of the Financial Information requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may be subject to a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

#### Revenue

Revenue and profit recognition on provision of consultancy services is dependent on the estimation of the progress of the satisfaction of performance obligation of a service contract over time. Based on the Group's past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Actual outcome in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years.

Significant judgement is required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management team.



## Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2017

### 4. Revenue

For management purposes, the Group is divided into different business units based on their services and has four reportable operating segments as follows:

- (a) Green building certification consultancy segment involves consultancy on the application of green building certification for new buildings, existing buildings and interiors of buildings;
- (b) Sustainability and environmental consultancy segment involves consultancy on sustainability and environmental impact assessment for compliance with statutory requirements in relation to environmental impact and pollution control;
- (c) Acoustics, noise and vibration control and audio-visual design consultancy segment involves designs for architectural acoustic, mechanical vibration, noise control and audio-visual systems; and
- (d) ESG reporting and consultancy segment involves conducting assessment of the ESG system of the clients, preparing report in compliance with the Stock Exchange's requirements pursuant to the ESG reporting guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board Listing Rules") and Appendix 20 to the GEM Listing Rules (collectively, the "ESG Reporting Guide"), assisting the clients in establishing comprehensive solutions to enhance ESG system and providing training and seminars to the clients.

	<b>Unaudited Three months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
An analysis of the Group's revenue during the period is as follows:		
<b>Revenue from provision of</b>		
Green building certification consultancy	<b>5,135</b>	4,671
Sustainability and environmental consultancy	<b>2,794</b>	2,041
Acoustics, noise and vibration control and audio-visual design consultancy	<b>1,294</b>	983
ESG reporting and consultancy	<b>555</b>	398
	<b>9,778</b>	8,093

## Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2017

### 5. Finance Costs

	Unaudited Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Interest on a bank loan and bank overdrafts	–	6

### 6. Profit/(Loss) Before Tax

The Group's profit/(loss) before tax is arrived at after charging:

	Unaudited Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Depreciation	101	40
Employee benefit expense: (including Director's remuneration)		
– Wages and salaries	4,420	3,489
– Pension scheme contributions (defined contribution scheme)	187	132
	4,708	3,661
Minimum lease payments under operating leases for land and buildings	772	639



## Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2017

### 7. Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the periods. PRC Corporate Income Tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for each of the periods.

	Unaudited Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
<b>Current – Hong Kong</b>		
Charge for the period	259	475
<b>Current – PRC</b>		
Charge for the period	11	12
<b>Deferred tax</b>	(10)	4
Total tax charge for the period	260	491

## Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2017

### 8. Earnings/(Loss) Per Share Attributable to Owners of the Company for the Period

The calculation of the basic earnings/(loss) per share attributable to owners of the Company is based on the following data:

	Unaudited Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
<b>Earnings/(Loss)</b>		
Earnings/(Loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	1,268	(4,391)
	As at 30 June	
	2017 '000	2016 '000
<b>Number of shares</b>		
Number of ordinary Shares for the purpose of basic earnings/(loss) per share	1,184,000	996,000

The number of ordinary Shares for the purpose of calculating basic earnings/(loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue (details as disclosed in note 1(b)) had been effective on 1 April 2016, and excludes the weighted average number of shares held under the Company's Share Award Scheme.

No diluted earnings/(loss) per share for the periods was presented as there were no potential ordinary Shares in issue during the periods.

### 9. Dividends

On 13 June 2016, AEC BVI declared a dividend of HK\$2,800,000 to its shareholders.

The Board has resolved not to declare the payment of any dividend in respect of the three months ended 30 June 2017.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Review

The continuous revenue growth of the Group was benefited from the increasing demand for green building certification consultancy and sustainability and environmental consultancy services with the metropolisation and surging population. The Environmental Protection Department of Hong Kong, along with other related government departments, have implemented various laws regulating environmental issues, such as the Environmental Impact Assessment Ordinance (《環境影響評估條例》) (Chapter 499 of the laws of Hong Kong) which has made environmental impact assessment report a necessity before the construction and operation of various types of designated projects. Moreover, environmental assessment usually forms part of the planning application under the Town Planning Ordinance (《城市規劃條例》) (Chapter 131 of the laws of Hong Kong) or is required as one of the conditions of development projects.

The Buildings Energy Efficiency Ordinance (《建築物能源效益條例》) (Chapter 610 of the laws of Hong Kong) imposes mandatory control required for building development works in Hong Kong on building developers and owners. It points out the importance of energy saving performance of both public and residential buildings and leads to a demand for sustainability and environmental consultancy and green building certification consultancy services. The Hong Kong Government also issued (i) the Practice Note of Sustainable Building Design Guidance to enhance the quality and sustainability of the built environment in Hong Kong; (ii) the Works Technical Circulars of Green Government Building to integrate green features in government managed buildings and (iii) the Energy Saving Plan (《香港都市節能藍圖》) to cap the energy consumption of buildings and form the basis of general development schemes or reports related to the energy saving strategy in Hong Kong. It imposes a mandatory requirement on new government buildings with construction floor area of more than 5,000 square metres with central air-conditioning or more than 10,000 square metres to achieve at least BEAM Plus Gold. The Hong Kong Housing Authority also requires public housing development to obtain BEAM Plus Gold award or above to distinct green housing design. According to the Residential Properties (First-hand Sales) Ordinance (《一手住宅物業銷售條例》) (Chapter 621 of the laws of Hong Kong), a BEAM Plus certification is required in order to obtain the concession on gross floor area for certain green and amenity features in development projects.



## Management Discussion and Analysis

### Business Review

The Company is an environmental consulting company specialised in providing (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy. The four business segments contributed approximately 52.5%, 28.6%, 13.2% and 5.7% to the Group's overall revenue for the three months ended 30 June 2017 respectively. The Group derives the majority of its revenue from green building certification consultancy, and sustainability and environmental consultancy.

In March 2017, the Group secured the engagement of AEC Hong Kong, a wholly-owned subsidiary of the Company, as the consultant of the entire BEAM Plus certification process for four premises and two complexes, which involves a total of 12 blocks of premium commercial buildings in Central, one of the central business districts in Hong Kong (the "Engagement") by an independent third party whose principal business is in the property sector. Pursuant to the Engagement, the Group will act as the consultant and BEAM professional for, among other matters, the certification of the Comprehensive Scheme under BEAM Plus for Existing Buildings (Version 2.0) for those premium commercial buildings in Central. The project has commenced in April 2017 and it is expected to complete within one year. The Board is of the view that the Engagement will enable the Group to leverage on its technical competency to set another key milestone of the Group's green building certification consultancy business.



## Management Discussion and Analysis

### Prospects

Going forward, the Group will continue to attain its business objectives of maintaining a sustainable growth in its existing business segments and becoming one of the leading service providers in the market. Leveraging on its competitive strengths and advantages, the Group is expanding its business into the PRC market. In early November 2016, the Group incorporated a wholly-owned subsidiary, 前海沛然環保顧問深圳有限公司 (Qianhai Allied Environmental Consultants Shenzhen Company Limited\*), at Shenzhen (Qianhai) in Mainland China and the Company has joined as a founding member of GreenTech Alliance which is organised by the Green Council, a non-profit initiative to embrace all leading greener technology efforts. The Group will further contribute to (i) establish and facilitate a member alliance of greener technologies and products that benefit the environment in order to accelerate and support their implementation, advancement and adoption; (ii) stimulate and support growth, including in the area of employment, in this evolving and expanding technological and production field; and (iii) identify, endorse and promote existing and emerging greener innovative technologies and related products to all sectors including the general public. Besides that, the Group is planning to develop its business in green building services and solutions and green products by using its internal working capital.

In addition, the Group has the following strategies to achieve its business objectives:

#### (1) **Expand into the PRC market through the establishment of subsidiaries, cooperation with third parties and/or acquisitions**

Considering the rising awareness and promotion of green building and the growing urbanisation rate of the PRC, we believe that the demand for consultancy on green building certification and on sustainability and environmental consultancy will continue to increase. With its base in Qianhai, the Group will continue to find new business partners in Mainland China with priority in densely populated cities such as Beijing, Shanghai, Shenzhen, Chengdu and Changsha.

To accelerate its business expansion in the PRC, the Group is also actively exploring acquisition opportunities and looking for targets, which possess sound financial conditions, reputable brand, extensive customer base and business network, and sound operating team, to create a synergy with its well-established operations in Hong Kong and achieve a larger scale of operation and geographical coverage.

\* For identification purposes only



## Management Discussion and Analysis

### (2) Further expand and develop ESG reporting and consultancy and develop reporting and consultancy based on other sustainability reporting frameworks

The Stock Exchange has strengthened the ESG Reporting Guide in the Main Board Listing Rules and the GEM Listing Rules, which came into effect for listed issuers' financial years beginning on or after 1 January 2016. Listed companies must "comply or explain" under the ESG Reporting Guide. As a listed company, the Company strives to become one of the role models in ESG reporting with the continuous efforts of the Company's own ESG Committee. Moreover, over the last decade, the market demand for corporate sustainability reporting has increased tremendously as many companies worldwide have become increasingly aware of its impacts on the economy, environment and society.

Therefore, the Company believes that it should not only focus on ESG reporting and consultancy, but also on sustainability reporting based on other sustainability reporting frameworks, such as those from the Global Reporting Initiative. Organizations which can use sustainability reporting to create extra values by building trust with stakeholders and cost reduction. Apart from saving internal cost through the measuring and monitoring of energy consumption, compliance costs can also be reduced by meeting regulatory requirements and avoiding breaches. The Company is of the view that sustainability reporting will surely build a competitive advantage for organizations to attract investment, enter into new markets and negotiate for new businesses opportunities and believes there are substantial growth and business opportunities in this entire business segment.

### (3) Further strengthen and expand its in-house team of professional staff

The Company believes that its staff are very important assets of the Company. The Company will continue to encourage its staff to attend technical training and industry seminars, conferences and courses organised by third parties to enhance their professional competence on an on-going basis. In addition to its plan to expand its project team for providing services in the PRC and its ESG reporting and consultancy, the Company also plans to expand and diversify existing in-house team so as to increase its capacity and resources in providing its services, such as ecological survey, which it has been outsourcing to its sub-contractors in the past.



## Management Discussion and Analysis

### (4) Expand through mergers and acquisitions in Hong Kong

The Company plans to expand its presence and market share through mergers and acquisitions of businesses or companies in the same industry in Hong Kong.

To the knowledge of the Directors, there has recently been a market consolidation where green building certification consultancy businesses were merged among themselves striking to benefit from a larger scale of operation, consolidation of resources, expansion of customer base and capturing of more market shares. The Directors consider that through appropriate mergers and acquisitions, the Group will be in a better position to compete with its competitors and maintain its competitiveness and position in the market.

## Financial Review

### Revenue

The total revenue of the Group increased by approximately HK\$1.7 million from approximately HK\$8.1 million for the three months ended 30 June 2016 to approximately HK\$9.8 million for the three months ended 30 June 2017, representing an increase of approximately 20.8%, amongst which: (1) the revenue of green building certification increased by approximately 9.9% from approximately HK\$4.7 million for the three months ended 30 June 2016 to approximately HK\$5.1 million for the three months ended 30 June 2017; (2) the revenue of sustainability and environmental consultancy increased by approximately 36.9% from approximately HK\$2.0 million for the three months ended 30 June 2016 to approximately HK\$2.8 million for the three months ended 30 June 2017; (3) the revenue of acoustics, noise and vibration control and audio-visual design consultancy increased by approximately 31.6% from approximately HK\$1.0 million for the three months ended 30 June 2016 to approximately HK\$1.3 million for the three months ended 30 June 2017; and (4) the revenue of ESG reporting and consultancy increased by approximately 39.4% from approximately HK\$0.4 million for the three months ended 30 June 2016 to approximately HK\$0.6 million for the three months ended 30 June 2017.

The increase of revenue in all business segments was mainly attributable to the substantial progress of the contract services work of the Group's on-going projects that were attained.

## Management Discussion and Analysis

	Unaudited Three months ended 30 June					
	2017		2016		change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	5,135	52.5	4,671	57.7	464	9.9
Sustainability and environmental consultancy	2,794	28.6	2,041	25.2	753	36.9
Acoustics, noise and vibration control and audio-visual design consultancy	1,294	13.2	983	12.2	311	31.6
ESG reporting and consultancy	555	5.7	398	4.9	157	39.4
<b>Total</b>	<b>9,778</b>	<b>100.0</b>	<b>8,093</b>	<b>100.0</b>	<b>1,685</b>	<b>20.8</b>

### Administrative Expenses

The Group's administrative expenses decreased by approximately 52.4% from approximately HK\$8.4 million for the three months ended 30 June 2016 to approximately HK\$4.0 million for the three months ended 30 June 2017, which was mainly due to the non-incurrence of any listing expenses for the three months ended 30 June 2017 (for the three months ended 30 June 2016: listing expenses of approximately HK\$6.8 million), despite additional operating costs of approximately HK\$2.4 million for team expansion in order to cope with future development, such as staff cost, legal and professional fee and rental expenses for the three months ended 30 June 2017.

### Profit Attributable to the Owners of the Company

The profit of the Group was approximately HK\$1.3 million for the three months ended 30 June 2017 which is improved from the loss of approximately HK\$4.4 million for the corresponding period in 2016, mainly attributed to (1) the increase of the total revenue of the Group by approximately HK\$1.7 million from approximately HK\$8.1 million for the three months ended 30 June 2016 to approximately HK\$9.8 million for the three months ended 30 June 2017 and (2) the non-incurrence of any listing expenses for the three months ended 30 June 2017, whereas there was listing expenses of approximately HK\$6.8 million incurred in the three months ended 30 June 2016.



## Management Discussion and Analysis

### Use of Proceeds from the Listing

On the Listing Date, the issued Shares were listed on the GEM. The initial public offering by way of placing was welcomed by investors. As stated in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 30 September 2016 (the "Prospectus"), the Group intended to use the proceeds for (i) establishment of subsidiaries, co-operation with other third parties, and/or acquisition in order to expand to the PRC market; (ii) expansion through mergers and acquisitions of other market players in the environmental data collection/monitoring industry and ecology industry in Hong Kong with an aim to vertically integrate with the business of the Group; (iii) further expansion of the Group's business on ESG reporting and consultancy; (iv) expansion of the Group's in-house project team; and (v) funding for the Group's working capital and other general corporate purposes. The Company intends to continue to apply the net proceeds in accordance with the proposed use set out above. Based on the placing price of HK\$0.28 per Share, the gross proceeds were approximately HK\$57.1 million, while the net proceeds, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK\$33.4 million.

As at 30 June 2017, the net listing proceeds have been applied and utilized as follows:

Use of net proceeds	Adjusted planned use of net proceeds# (HK\$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds up to 30 June 2017 (HK\$'000)	Unused net proceeds up to 30 June 2017 (HK\$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries	13,358	40%	–	13,358
Expand through strategic mergers and acquisitions in Hong Kong	6,679	20%	–	6,679
Further expand and develop the Group's services to ESG	6,679	20%	135	6,544
Further strengthen and expand the Group's in-house team of professional staff	5,010	15%	1,181	3,829
Provide funding for the Group's working capital and other general corporate purposes	1,670	5%	1,670	–
<b>Total</b>	<b>33,396</b>	<b>100%</b>	<b>2,986</b>	<b>30,410</b>

# The planned use of net proceeds has been adjusted in the same proportion and the same manner as stated in the Prospectus due to the difference between the estimated net proceeds as stated in Prospectus (based on the placing price of HK\$0.25 per Share) and the actual net proceeds received.

## Management Discussion and Analysis

The Directors intend to continue to apply the remaining net proceeds in accordance with the uses and in the proportions as stated in the Prospectus.

### Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivables management, etc. The Company did not engage in any derivatives agreement and did not commit any financial instruments to hedge its foreign exchange exposure as at 30 June 2017.

### Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the three months ended 30 June 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.

### Significant Investments and Future Plans for Material Investments and Capital Assets

As at 30 June 2017, the Group did not hold any significant investments in equity interest in any other companies. Save as disclosed in this report and in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Group has no definite future plans for material investments and capital assets.

### Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the three months ended 30 June 2017.

### Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2017 (31 March 2017: HK\$ Nil).

### Capital Commitments

As at 30 June 2017, the Group had capital commitments in relation to the purchase of intangible assets of approximately HK\$136,000 (31 March 2017: HK\$136,000).



## Management Discussion and Analysis

### Financial Risk Management

Risk management is carried out by the Company's finance department under the policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Share Option Scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) by the resolutions in writing of the shareholders of the Company (the “Shareholders”) on 23 September 2016. As at 30 June 2017, there were no outstanding options and no options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme since the Listing Date and up to 30 June 2017. The particulars of the Share Option Scheme are as follows:

- |  |   |
|--|---|
| 1. Purpose   | (i) to motivate the Eligible Participants (defined below) to optimise their performance efficiency for the benefit of the Group; and  |
|  | (ii) to attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.  |
| 2. Eligible Participants   | (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;   |
|  | (ii) any directors (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries; and  |
|  | (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.   |
| 3. Maximum number of Shares  | 120,000,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the placing on the Listing Date.   |
| 4. Maximum number of Shares comprised in options to any one individual | 1% of the Shares in issue as of the date of grant in any 12-month period up to the date of grant (with the exception of 0.1% of the number of the Shares in issue or value of HK\$5 million of the Shares, whichever is lower, to the independent non-executive Directors (the “INEDs”), substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates (as defined in the GEM Listing Rules)). |



## Corporate Governance and Other Information

5. Period within which the securities must be taken up under an option      An option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant as may be determined by the Directors provided that no option may be exercised after the expiry of 10 years from that date.
6. Minimum period for which an option must be held before it can be exercised      There is no such requirement imposed by the Share Option Scheme, provided that the Directors may impose such requirement upon grant of the option, on which the option is deemed to be granted and accepted.
7. Amount payable on application or acceptance of the options      Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.
8. Exercise price of Shares      The exercise price must not be less than the highest of:
- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant;
  - (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
  - (iii) the nominal value of a Share.
9. Remaining life of the scheme      Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme will expire on 22 September 2026.



## Corporate Governance and Other Information

### Share Award Scheme

On 8 February 2017, the Company approved the adoption of a share award scheme (the "Share Award Scheme") to complement its human resources policy for enhancing staff welfare benefits to ensure that talents can be retained and their productivity and potentials can be elevated.

During the year ended 31 March 2017, BOCI-Prudential Trustee Limited, acting as the trustee, had purchased an aggregate of 16,000,000 issued Shares on the Stock Exchange to hold on trust for any participant selected by the administration committee in accordance with the terms of and entitled to receive an award of Shares under the Share Award Scheme pursuant to the rules of the Share Award Scheme. During the three months ended 30 June 2017, no Shares were awarded to any participants. For more details, please refer to the announcements of the Company dated 8 February 2017, 24 March 2017 and 31 March 2017.

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2017, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:



## Corporate Governance and Other Information

### Interests in the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Ms. Kwok May Han Grace ("Ms. Kwok") (Note)	Interest of a controlled corporation	721,701,600 (long position)	60.14%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse	721,701,600 (long position)	60.14%

Note: These Shares are held by Gold Investments Limited ("Gold Investments"), a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Kwok, the executive Director and the chairman of the Board and 30% by Mr. Wu, the non-executive Director and the husband of Ms. Kwok. Accordingly, Ms. Kwok is deemed to be interested in such Shares held by Gold Investments under the SFO, and Mr. Wu is deemed to be interested in such Shares held by Ms. Kwok under the SFO.

### Interests in the Associated Corporation

Name of associated corporation	Name of Directors	Capacity	Number and class of shares	Approximate percentage of shareholding
Gold Investments	Ms. Kwok (Note)	Beneficial owner	70 shares of HK\$1.00 each (long position)	70%
		Interest of spouse	30 shares of HK\$1.00 each (long position)	30%
	Mr. Wu (Note)	Beneficial owner	30 shares of HK\$1.00 each (long position)	30%
		Interest of spouse	70 shares of HK\$1.00 each (long position)	70%

Note: Gold Investments is a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Kwok and 30% by Mr. Wu. Accordingly, Ms. Kwok is deemed to be interested in the shares held by Mr. Wu in Gold Investments under the SFO, and Mr. Wu is deemed to be interested in the shares held by Ms. Kwok in Gold Investments under the SFO.

## Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standard of dealings by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings").

### Substantial Shareholders' Interests and/or Short Positions in Shares and Underlying Shares

As far as the Directors are aware, as at 30 June 2017, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Gold Investments (Note 1)	Beneficial owner	721,701,600 (long position)	60.14%
Dr. Wong Wing Ho James	Beneficial owner	109,161,600 (long position)	9.10%
City Beat Limited ("City Beat") (Note 2)	Beneficial owner	86,552,400 (long position)	7.21%

Notes:

1. Gold Investments is a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Kwok and 30% by Mr. Wu.
2. City Beat is a company incorporated in the BVI and is wholly owned by Ocean Equity Partners Fund II L.P. which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund II L.P. is Ocean Equity Partners Fund II GP Limited. Accordingly, each of Ocean Equity Partners Fund II L.P. and Ocean Equity Partners Fund II GP Limited was deemed to be interested in the Shares held by City Beat.



## Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2017, the Company has not been notified by any persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Rights to Acquire Shares or Debentures

Other than the Share Option Scheme, the Share Award Scheme and as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the three months ended 30 June 2017 and up to the date of this report was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

### Non-Competition Undertaking by Controlling Shareholders

Each of the controlling shareholders (as defined under the GEM Listing Rules) of the Company (the "Controlling Shareholders") entered into a deed of non-competition dated 23 September 2016 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus, mainly to the effect that at any time the Controlling Shareholders are interested, directly or indirectly, in 30% or more of the Shares, they will not, and will procure their respective close associates (other than members of the Group) except where the Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group, not to (1) directly or indirectly, either on their own account, in conjunction with, on behalf of or through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest, provide any support to, financial or otherwise, or otherwise be interested, involved or engaged in or concerned with any business that directly or indirectly competes with the Restricted Business (as defined below), or acquire or hold shares or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any companies or business that compete directly or indirectly with the Restricted Business (as defined below); and (2) engage, invest, participate or be interested (economically or otherwise) in any business involving the provisions of consultancy services in respect of (i) green building certification consultancy; (ii) sustainability consultancy and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy (the "Restricted Business").

## Corporate Governance and Other Information

During the three months ended 30 June 2017, none of the Controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competed or might compete with the business of the Group and any other conflict of interest with the Group.

### Directors' Interest in Competing Business

Save and except for the interests of the Directors in the Company and its subsidiaries, during the three months ended 30 June 2017, none of the Directors had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with its business.

### Corporate Governance Code

The Company is committed to maintaining good corporate governance standard and procedures. The Company's corporate governance practices are based on the principles and code provisions as set out in Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Kwok was appointed the chairman of the Board on 11 November 2016 but there is no chief executive of the Company. The Board considers that such arrangement has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Furthermore, with respect to code provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules and the applicable laws. As disclosed in the Corporate Governance Report of the Company's annual report 2017, the Board noted that certain Directors might not have been provided with the financial information on a monthly basis since the Listing Date and during the three months ended 30 June 2017. Upon the revelation of such deviation, the Company has put in place policies to provide financial information to all its Directors on a monthly basis since August 2017. After the adoption of such remedial measures, the Company regards that it has complied with code provision C.1.2 of the CG code.

Save as disclosed above, during the three months ended 30 June 2017, the Group has complied with all the code provisions of the CG Code.



## Corporate Governance and Other Information

### Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the Required Standard of Dealings. Following the specific enquiries made by the Company on the Directors, all Directors confirmed that they had complied with the Required Standard of Dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company during the three months ended 30 June 2017.

### Purchase, Sale or Redemption of the Company's Listed Securities

The Company did not redeem any of the Company's listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during the three months ended 30 June 2017 and thereafter up to the date of this report.

### Interests of Compliance Adviser

As notified by Guotai Junan Capital Limited ("GTJAC"), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and GTJAC dated 6 June 2016, neither GTJAC nor any of its close associates, directors or employees had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2017 and up to the date of this report.

### Audit Committee

The Company established the Audit Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee consists of three INEDs, namely, Mr. Lie Kong Sang (who is the chairman), Professor Lam Kin Che and Ms. Wong Yee Lin Elaine. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, making recommendation to the Board on the appointment and removal of external auditors and reviewing the financial information and disclosures, overseeing the audit process, developing and reviewing the Company's financial and accounting policies and performing other duties and responsibilities as assigned by the Board.

## Corporate Governance and Other Information

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has also discussed and reviewed the unaudited Financial Information and this report.

By order of the Board  
**Allied Sustainability and Environmental  
Consultants Group Limited**  
**Kwok May Han Grace**  
*Chairman and Executive Director*

Hong Kong, 14 August 2017

*As at the date of this report, the executive Director is Ms. Kwok May Han Grace (Chairman); the non-executive Director is Mr. Wu Dennis Pak Kit; and the INEDs are Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine.*

