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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

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*This announcement, for which the directors (the "**Directors**") of Allied Sustainability and Environmental Consultants Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.asecg.com.

ANNUAL RESULTS

The board of Directors of the Company (the "**Board**") announces the annual results of the Group for the year ended 31 March 2017 together with the comparative figures for the year ended 31 March 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	**2017** ***$'000***	2016 *$'000*
Revenue	*5*	**35,096**	32,539
Cost of services provided		**(15,671)**	(12,496)
Gross profit		**19,425**	20,043
Other income and gains		**96**	560
Administrative expenses		**(11,691)**	(7,305)
Finance costs	*6*	**–**	(11)
Other expenses		**(148)**	(307)
Listing expenses		**(12,480)**	(5,373)
(Loss)/profit before tax	*7*	**(4,798)**	7,607
Income tax expenses	*8*	**(1,290)**	(2,159)
(Loss)/profit for the year wholly attributable to owners of the Company		**(6,088)**	5,448
Other comprehensive (loss)/ income for the year wholly attributable to owners of the Company, net of tax			
Item that may be reclassified subsequently to profit or loss:			
– Change in fair value of available-for-sale financial assets	*9*	**(151)**	–
Total comprehensive (loss)/ income for the year wholly attributable to owners of the Company		**(6,239)**	5,448
Basic (loss)/earnings per share (cents)	*11*	**(0.56)**	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment		**1,205**	250
Prepayments for intangible assets		**97**	–
Available-for-sale financial assets		**1,897**	–
		3,199	250
Current assets			
Contract assets		**29,460**	17,398
Accounts receivable	*12*	**9,613**	9,420
Prepayments, deposits and other receivables		**3,760**	4,485
Cash and cash equivalents		**39,062**	18,843
Total current assets		**81,895**	50,146
Current liabilities			
Accounts payable	*13*	**243**	309
Other payables and accruals		**1,296**	1,803
Contract liabilities		**159**	676
Current tax payable		**1,376**	3,800
Total current liabilities		**3,074**	6,588
Net current assets		**78,821**	43,558
Total assets less current liabilities		**82,020**	43,808
Non-current liabilities			
Deferred tax liabilities		**111**	15
Net assets		**81,909**	43,793
Equity			
Issued capital		**12,000**	424
Reserves		**69,909**	43,369
Total equity		**81,909**	43,793

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

(Expressed in Hong Kong dollars)

	Wholly attributable to owners of the Company					
	Issued capital	**Other reserve**	**Revaluation reserve**	**Shares held under share award scheme**	**Retained profits**	**Total equity**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 April 2015	388	10,610	–	–	16,497	27,495
Profit and total comprehensive income for the year	–	–	–	–	5,448	5,448
Capital contribution from shareholders of AEC Group Limited ("**AEC BVI**")	36	10,814	–	–	–	10,850
At 31 March 2016	424	21,424	–	–	21,945	43,793
At 1 April 2016	**424**	**21,424**	**–**	**–**	**21,945**	**43,793**
Loss for the year	**–**	**–**	**–**	**–**	**(6,088)**	**(6,088)**
Other comprehensive income	**–**	**–**	**(151)**	**–**	**–**	**(151)**
Total comprehensive income	**–**	**–**	**(151)**	**–**	**(6,088)**	**(6,239)**
Issue of shares	**2,040**	**55,080**	**–**	**–**	**–**	**57,120**
Capitalisation issue of shares	**9,960**	**(9,960)**	**–**	**–**	**–**	**–**
Transaction costs directly attributable to issue of shares	**–**	**(5,866)**	**–**	**–**	**–**	**(5,866)**
Arising from group reorganisation	**(424)**	**424**	**–**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**(2,800)**	**(2,800)**
Purchase of shares under share award scheme	**–**	**–**	**–**	**(4,099)**	**–**	**(4,099)**
At 31 March 2017	**12,000**	**61,102**	**(151)**	**(4,099)**	**13,057**	**81,909**

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

General Information

Allied Sustainability and Environmental Consultants Group Limited (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 year ended 31 March 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 reporting consultancy in Hong Kong, Macau and the mainland of the People's Republic of China ("**Mainland China**" or the "**PRC**").

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

The Company has direct and indirect interests in subsidiaries, all of which are private limited liability companies, the particulars of which are set out below. The class of shares held is ordinary unless otherwise stated.

Name of companies	Place of incorporation and business	Particulars of issued and paid up capital	Percentage of ownership interest held by the Company	Percentage of ownership interest held by the subsidiary	Principal activities
AEC BVI	The British Virgin Islands ("**BVI**")	US$54,756	100%	–	Investment holding
AEC China Development Limited	Hong Kong	2 shares	–	100%	Investment holding
Allied Environmental Consultants Limited ("**AEC Hong Kong**")	Hong Kong	2,040 shares	–	100%	Provision of consultancy services
Allied Sustainability Consultants Limited	Hong Kong	2 shares	–	100%	Provision of environmental, social and governance reporting services
Qianhai Allied Environmental Consultants Shenzhen Company Limited	PRC	RMB100,000	–	100%	Provision of consultancy services
AEC Green Construction Limited	BVI	HK$10,000	–	100%	Provision of green construction services

2.1 STATEMENT OF COMPLIANCE

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 March 2017 but are extracted from those financial statements. The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The HKICPA has issued a number of amendments to the HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Except for the early adoption of HKFRS 15, *Revenue from contracts with customers* since the year ended 31 March 2016, the Group has not adopted any new standards or interpretations that are not yet effective for the current accounting period. The revised and new accounting standards and interpretations issued but not yet effective for the current accounting year are set out in note 3.

2.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries.

The Company was incorporated in the Cayman Islands on 11 November 2015. On 22 September 2016, as part of the reorganisation arrangements, the Company had undergone in preparation for the listing of the Shares on GEM (the "**Reorganisation**") and the entire issued share capital of AEC BVI was transferred to the Company in consideration for an issue of the 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.

AEC BVI was incorporated in the British Virgin Islands on 30 January 2015. On 24 March 2015, the then shareholders of 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 for a reverse acquisition with AEC BVI 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 for a reverse acquisition with AEC Hong Kong treated as the acquirer for accounting purposes. The financial statements have 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 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 Shares were initially listed on GEM on 17 October 2016. 204,000,000 shares were issued at a placing price of $0.28 per share. On the same date, 995,990,000 new shares of the Company were issued through capitalisation of $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.

3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

4 SEGMENT INFORMATION

For management purposes, the Group is organised into 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) Environmental, Social and Governance ("**ESG**") reporting and consultancy segment involves ESG reporting and consultancy.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profits, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Green building certification consultancy		Sustainability and environmental consultancy		Acoustics, noise and vibration control and audio-visual design consultancy		ESG reporting and consultancy		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:										
Revenue										
Hong Kong	**18,036**	18,400	**8,222**	8,448	**2,768**	2,314	**3,718**	513	**32,744**	29,675
Mainland China	**374**	770	**272**	–	**1,139**	1,566	**–**	–	**1,785**	2,336
Macau	**80**	137	**390**	13	**97**	378	**–**	–	**567**	528
	18,490	19,307	**8,884**	8,461	**4,004**	4,258	**3,718**	513	**35,096**	32,539
Segment results	**10,865**	12,189	**4,697**	5,248	**1,450**	1,982	**2,265**	317	**19,277**	19,736
Reconciliation										
Unallocated income									**96**	560
Unallocated expenses:										
– Listing expenses									**(12,480)**	(5,373)
– Others									**(11,691)**	(7,305)
Finance costs									**–**	(11)
(Loss)/profit before tax									**(4,798)**	7,607
Segment assets	**24,069**	16,701	**8,671**	5,932	**5,476**	3,854	**2,404**	331	**40,620**	26,818
Reconciliation										
Unallocated assets									**44,474**	23,578
Total assets									**85,094**	50,396
Segment liabilities	**119**	596	**275**	315	**8**	44	**–**	30	**402**	985
Reconciliation										
Unallocated liabilities									**2,783**	5,618
Total liabilities									**3,185**	6,603
Other segment information										
Impairment of accounts receivable	**55**	313	**135**	189	**83**	65	**–**	–	**273**	567
Write-back of impairment of accounts receivable	**–**	(130)	**(125)**	(130)	**–**	–	**–**	–	**(125)**	(260)
Unallocated:										
– Depreciation									**301**	242
– Capital expenditure*									**1,256**	199

* Capital expenditure consists of additions to property, plant and equipment.

(a) Geographical information

(a) The geographical information above is based on the locations of the customers.

(b) The Group's non-current assets were located in Hong Kong as at 31 March 2016 and 2017.

(b) Information about major customers

Revenue of approximately $3,787,000 and $78,000 was derived from services provided for green building certification consultancy and sustainability and environmental consultancy segments, respectively, for the year ended 31 March 2016 to a single customer including services provided to a group of entities which are known to be under common control with that customer.

No revenue from a single external customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2017.

5 REVENUE

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under the contracts with customers, each consultancy service contract relates to facts and circumstances that are specific to each customer. Contract terms provide the Group with an enforceable right to payment, for its performance completed to date, of its costs incurred plus a reasonable margin. Revenue is recognised progressively based on contract costs incurred to date as a percentage of total forecast costs.

Revenue is recognised over time and is disaggregated by nature of consultancy services and primary geographical market in note 4.

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2017 and 2016.

	2017
	$'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 March 2018	**27,589**
31 March 2019	**8,695**
After 31 March 2019	**4,338**
	40,622

	2016
	$'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 March 2017	24,413
31 March 2018	9,410
After 31 March 2018	5,653
	39,476

6 FINANCE COSTS

	2017	2016
	$'000	*$'000*
Interest on a bank loan	**–**	11

7 (LOSS)/PROFIT BEFORE TAX

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

	2017	2016
	$'000	*$'000*
Depreciation	**301**	242
Auditors' remuneration	**976**	100
Employee benefit expense: (including Director's emoluments)		
– Wages and salaries	**16,157**	11,021
– Pension scheme contributions (defined contribution scheme)	**506**	482
	16,663	11,503
Impairment of accounts receivable* *(note 12)*	**273**	567
Write-back of impairment of accounts receivable*	**(125)**	(260)
Minimum lease payments under operating leases for land and buildings	**2,976**	2,265
Gain on disposal of items of property, plant and equipment	**(8)**	(560)

* Included in "Other expenses" in profit or loss.

8 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 the years ended 31 March 2017 and 2016. PRC Corporate Income Tax ("**CIT**") has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for the years ended 31 March 2017 and 2016.

	2017	2016
	$'000	*$'000*
Current – Hong Kong		
Charge for the year	**1,196**	4,309
Over-provision in respect of prior year	**(53)**	–
	1,143	4,309
Current – PRC		
Charge for the year	**51**	83
Deferred tax	**96**	(2,233)
Total tax charge for the year	**1,290**	2,159

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2017	2016
	$'000	*$'000*
(Loss)/profit before tax	**(4,798)**	7,607
Notional tax at the rates applicable to losses in the relevant tax jurisdictions	**(792)**	1,255
Income not subject to tax	**(55)**	(92)
Expenses not deductible for tax	**2,139**	889
Effect of CIT on PRC service income	**51**	83
Over-provision in respect of prior year	**(53)**	–
Others	**–**	24
Tax charge at the effective rate	**1,290**	2,159

9 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	2017	2016
	$'000	*$'000*
Available-for-sale financial assets:		
Change in fair value during the year recognised in other comprehensive income	**151**	–

There was no tax effect relating to the net movement of available-for-sale financial assets for the year ended 31 March 2017 and 2016.

10 DIVIDEND

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

The Board has resolved not to declare the payment of any dividend in respect of the year ended 31 March 2017.

11 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

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

	2017	2016
	$'000	*$'000*
(Loss)/profit		
(Loss)/profit for the year attributable to owners of the Company	**(6,088)**	5,448
Number of shares:		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,086,498,630**	962,405,610

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined as if the Reorganisation and the capitalisation issue (details as disclosed in note 2.2) had been effective on 1 April 2015, and excludes the weighted average number of shares held under the Company's share award scheme.

No diluted (loss)/earnings per share for the years was presented as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2017 and 2016.

12 ACCOUNTS RECEIVABLE

	2017	2016
	$'000	*$'000*
Accounts receivable	**11,195**	10,854
Impairment	**(1,582)**	(1,434)
	9,613	9,420

Accounts receivable represent receivables for contract works. Accounts receivable are due within 0 to 60 days from the date of billing. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of each of the reporting periods, based on the invoice date and net of impairment provisions, is as follows:

	2017	2016
	$'000	*$'000*
Within 1 month	**734**	2,119
Over 1 month to 3 months	**2,825**	2,330
Over 3 months to 6 months	**1,007**	1,717
Over 6 months to 12 months	**2,590**	2,042
Over 12 months to 24 months	**1,834**	1,068
Over 24 months	**623**	144
	9,613	9,420

The movements in provision for impairment of accounts receivable are as follows:

	2017	2016
	$'000	*$'000*
At the beginning of the year	**1,434**	1,127
Impairment losses recognised *(note 7)*	**273**	567
Write-back of impairment *(note 7)*	**(125)**	(260)
At the end of the year	**1,582**	1,434

The individually impaired accounts receivable relate to customers that were in financial difficulties or were in default in payments and only a portion of such receivables is expected to be recovered.

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	$'000	*$'000*
Neither past due nor impaired	**734**	1,076
Less than 1 month past due	**1,499**	1,908
1 month to 3 months past due	**1,326**	1,724
Over 3 months to 6 months past due	**1,370**	1,545
Over 6 months past due	**4,684**	3,167
	9,613	9,420

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13 ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of each of the reporting periods, based on the invoice date, is as follows:

	2017	2016
	$'000	*$'000*
Within 1 month	**–**	163
Over 1 month to 6 months	**–**	35
Over 6 months	**243**	111
	243	309

Accounts payable are non-interest-bearing and are normally settled within 30 days.

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 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 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 The Energy Saving Plan (《香港都市節能藍圖》) to cap the energy consumption of buildings and forms 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 meters with central air-conditioning or more than 10,000 square meters 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.

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 Group derives the majority of its revenue from green building certification consultancy, and sustainability and environmental consultancy.

In December 2016, six building projects, which the Group was involved in as the sustainability consultant and BEAM Professional, received an award in the BEAM Plus Platinum Project Certification Ceremony 2016 which was jointly organised by The Hong Kong Green Building Council and BEAM Society Limited. These awardwinning projects are (i) Towngas Headquarters "Existing Buildings V1.2 Final Platinum", (ii) Hang Seng Management College Block B - Sports and Amenities Centre "New Buildings V1.1 Final Platinum", (iii) Hang Seng Management College Block D - Lee Quo Wei Academic Building "New Buildings V1.1 Final Platinum", (iv) Greenview Villa "New Buildings V1.1 Final Platinum", (v) HSMC Jockey Club Residential Colleges "New Buildings V1.2 Final Platinum", and (vi) Tsang Tsui Columbarium & Garden of Remembrance "New Buildings V1.2 Provisional Platinum". All six BEAM Plus Platinum-rated projects were accredited for their best practices in environmental performance, energy and water efficiency, waste reduction as well as innovative technology, transforming Hong Kong into a green and sustainable city. In these projects, the Group offered professional consultancy services for the environmental design of the building/infrastructure (such as daylight performance, air ventilation, thermal comfort, energy saving, material use, water saving and indoor environmental quality, etc.) and dedicated efforts in assisting its customers to create green value and achieve sustainable development.

The Group has sought new revenue streams by actively seeking development opportunities that can create synergies with its existing businesses. The Group has successfully extended its scope of services to lighting design projects in the acoustics, noise and vibration control, and audio-visual designs sector. In January 2017, the Company was engaged to provide lighting, acoustics & audiovisual subconsultancy services to Hangzhou Moganshan resort in the PRC which is contributed by the bidding effort from project team and the Company considers this successful bidding can strengthen its project reference and extend the service scope in the future.

Furthermore, the Group's project team has been dedicating more time and efforts in exploring additional business opportunities. The most recent project the Group secured is, the engagement of Allied Environmental Consultants Limited (沛然環境評估工程顧問有限公司), 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. Preparatory and advisory works have commenced in April 2017. 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.

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 will further expand its business into the PRC market. In early November 2016, the Group has 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 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, the Group is planning to develop its business in green building services and solutions and green products by using its existing working capital.

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

(1) *Expand into the PRC market through 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 synergy with its well-established operations in Hong Kong and achieve a larger scale of operation and geographical coverage.

* *For identification purposes only*

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

The Stock Exchange has strengthened the ESG Reporting Guide in the 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 set out in Appendix 27 to the Main Board Listing Rules and Appendix 20 to the GEM Listing Rules. As a listed company, the Company wishes to be one of the role models in ESG reporting. Moreover, over the last decade, corporate sustainability reporting has increased tremendously, as many companies worldwide have become increasingly aware of their 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 internal cost saving through 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 is a very important asset. 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 its existing in-house team so as to increase its capacity and resources in providing diverse services, such as ecological survey, which it has been outsourcing to its sub-contractors. With the opening of its new office in Hong Kong in November 2016, the Company can accommodate additional staff and establish a training room to conduct trainings, seminars, conferences and courses for its staff and clients.

(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, expanding customer base and capturing 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 from approximately HK$32.5 million for the year ended 31 March 2016 to approximately HK$35.1 million for the year ended 31 March 2017, representing an increase of 8.0%. As at 31 March 2017, the Group had 244 projects on hand, the contract sum of which amounted to HK$103.5 million approximately.

The revenue of green building certification consultancy decreased by 4.1% from approximately HK$19.3 million for the year ended 31 March 2016 to approximately HK$18.5 million for the year ended 31 March 2017, which was resulted from the slowdown of the progresses of the projects in this segment.

The revenue of sustainability and environmental consultancy increased by 4.7% from approximately HK$8.5 million for the year ended 31 March 2016 to approximately HK$8.9 million for the year ended 31 March 2017. Such improvement in revenue was attributable to the substantial progress achieved in the projects in this segment.

The revenue of acoustics, noise and vibration control and audio-visual design consultancy decreased by approximately 7.0% from approximately HK$4.3 million for the year ended 31 March 2016 to approximately HK$4.0 million for the year ended 31 March 2017 which was mainly due to the slower-than-expected progresses of the projects in this segment.

The Group's ESG reporting and consultancy segment was established in November 2015. The revenue of ESG reporting and consultancy amounted to approximately HK$3.7 million, equivalent to 10.6% of the total revenue for the year ended 31 March 2017. The reason for the increase of revenue in ESG reporting and consultancy segment was mainly due to the number of engaged customers for this segment increased from 4 for the year ended 31 March 2016 to 25 for the year ended 31 March 2017. It is a milestone of the Group to have recorded a 625% growth in the number of customers in one year time. The Group will strive to maintain the momentum and envisions that this segment will become one of the core revenue generators in the future.

The table below sets forth the breakdown of the revenue by segment for each of the years ended 31 March 2016 and 2017:

	2017		2016	
	HK$'000	***%***	*HK$'000*	*%*
Green building certification consultancy	**18,490**	**52.7**	19,307	59.3
Sustainability and environmental consultancy	**8,884**	**25.3**	8,461	26.0
Acoustics, noise and vibration control and audio-visual design consultancy	**4,004**	**11.4**	4,258	13.1
ESG reporting and consultancy	**3,718**	**10.6**	513	1.6
Total	**35,096**	**100.0**	32,539	100.0

Cost of Services Provided and Gross Profit

The majority of the Group's cost of services provided comprised subcontracting cost and direct labour cost. The Group's cost of services provided increased by approximately 25.6% from approximately HK$12.5 million for the year ended 31 March 2016 to approximately HK$15.7 million for the year ended 31 March 2017.

The Group's gross profit decreased by approximately 3.0% from approximately HK$20.0 million for the year ended 31 March 2016 to approximately HK$19.4 million for the year ended 31 March 2017. The decrease in the gross profit was mainly due to an increase in direct labour costs for team expansion in order to strengthen the Group's ability to secure bids and extend its scope of services.

Administrative Expenses

The Group's administrative expenses increased by approximately 60.3% from approximately HK$7.3 million for the year ended 31 March 2016 to approximately HK$11.7 million for the year ended 31 March 2017. Such increase was mainly due to additional expenses incurred so as to cope with future development of the Group, such as staff cost, legal and professional fee and rental expenses.

Listing Expenses

The Group incurred non-recurring listing expenses in an aggregate sum of approximately HK$12.5 million and HK$5.4 million in relation to the listing of the Shares on GEM during the year ended 31 March 2017 and 2016 respectively.

Loss Attributable to the Owners of the Company

The loss attributable to the owners of the Company was approximately HK$6.1 million for the year ended 31 March 2017, while there was a profit of approximately HK$5.4 million for the year ended 31 March 2016, mainly due to the Company's incurrence of the listing expenses of approximately HK$12.5 million and the increment of administrative expenses of approximately HK$4.4 million during the year ended 31 March 2017.

Net Cash Used in Operating Activities

The Group's net cash used in operating activities for the year ended 31 March 2017 was approximately HK$21.6 million, whereas there was net cash used in operating activities of approximately HK$3.1 million for the year ended 31 March 2016 mainly due to the payment of HK$11.5 million of listing expenses during the year ended 31 March 2017.

Liquidity, Financial Resources and Capital Structure

Historically, the Company has met the liquidity and capital requirements primarily through operating cash flows and capital contribution from its shareholders.

As at 31 March 2017, the Group had no interest-bearing bank and other borrowings and banking and other facilities.

The Company requires cash primarily for working capital needs. As at 31 March 2017, the Company had approximately HK$39.1 million in cash and bank balances (31 March 2016: approximately HK$18.8 million), representing an increase of approximately HK$20.3 million as compared to that as at 31 March 2016. The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2017.

On the Listing Date, the issued Shares of the Company (the "**Shares**") were listed on GEM by way of placing and the Company completed the placing of its 204 million Shares with a par value of HK$0.01 each at placing price of HK$0.28 per Share for a total cash consideration of approximately HK$57.1 million. The Company believes that the funding from the placing of Shares on GEM would help the Company to strengthen its financial position to achieve its business objectives.

DIVIDEND

The Board has resolved not to declare the payment of any dividend in respect of the year ended 31 March 2017 (31 March 2016:Nil). On 13 June 2016, AEC BVI declared a dividend of HK$2.8 million to its shareholders for the year ended 31 March 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Company had a total of 51 employees (31 March 2016: 40). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

USE OF PROCEEDS FROM THE LISTING

On the Listing Date, the issued Shares were listed on 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 prospectus of the Company dated 30 September 2016 (the "**Prospectus**"), the Group intends to use the proceeds for (i) establishment of subsidiaries, co-operation with other third parties, and/or acquisition in order to expand to 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 integrating with the business of the Group; (iii) further expansion of the Group's business on ESG reporting and consultancy; and (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 applications set out above. Based on the placing price of HK$0.28 per Share for a total cash consideration of approximately HK$57.1 million, the net proceeds, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK$33.4 million. The Company will deposit the unused net proceeds into short-term demand deposits with Hong Kong licensed banks.

As at 31 March 2017, the net listing proceeds have been applied and utilized as follows:

Use of net proceeds	*Note*	**Adjusted planned use of net proceeds** *(HK$'000)*	**Approximate percentage of total net proceeds**	**Adjusted planned use of proceeds up to 31 March 2017*** *(HK$'000)*	**Actual use of net proceeds up to 31 March 2017** *(HK$'000)*	**Unused net proceeds up to 31 March 2017** *(HK$'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 types of services to ESG	*1*	6,679	20%	–	77	6,602
Further strengthen and expand the Group's in-house team of professional staff	*1*	5,010	15%	–	464	4,546
Provide funding for the Group's working capital and other general corporate purposes		1,670	5%	NA *(note2)*	1,670	–
Total		33,396	100%	–	2,211	31,185

Note 1: The actual use of net proceeds exceeds the adjusted planned use of proceeds up to 31 March 2017 as a result of the expansion of ESG reporting and consultancy and the Group's in-house team was speeded up during the year ended 31 March 2017 due to the increasing demand of the Group's services.

Note 2: The timeline of the usage of funding for working capital and other general corporate purposes was not stated in the Prospectus.

* The planned use of proceeds up to 31 March 2017 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 the Prospectus and the actual net proceeds received.

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.

GEARING RATIO

As at 31 March 2017, the Group had no interest-bearing bank and other borrowings. Accordingly, no gearing ratio is presented.

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 and receivables management, etc.

TREASURY POLICIES

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 its 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 HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not hold any significant investments in equity interest in any other companies. Except for those included in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group had 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 year ended 31 March 2017.

PLEDGE OF ASSETS

The Group had no pledge of assets as at 31 March 2017.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2017.

CAPITAL COMMITMENTS

At 31 March 2017, the Group had capital commitment in relation to the purchase of intangible assets of approximately HK$136,000 (31 March 2016: HK$Nil).

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. The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Shares were listed on GEM on 17 October 2016. 16,000,000 Shares had been purchased and held by the trustee on trust for the selected participants of the share award scheme adopted by the Company on 8 February 2017. Please refer to the announcements of the Company dated 8 February 2017, 24 March 2017 and 31 March 2017 for details.

Save as disclosed above, 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 Shares during the period from the Listing Date to 31 March 2017 and thereafter up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 23 September 2016 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lie Kong Sang, Professor Lam Kin Che, and Ms. Wong Yee Lin Elaine. Mr. Lie Kong Sang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm. During the year ended 31 March 2017, the Audit Committee held 3 meetings to review the Group's interim report and quarterly reports. The Group's annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee. The Audit Committee is of the view that the Group's annual results for the year ended 31 March 2017 complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2017 as set out in this announcement have been compared by the Group's independent auditor, KPMG, Certified Public Accountants, to the amounts as set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement.

The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good corporate governance standard and procedures.

In accordance with code provision A.2.1 of the Corporate Governance Code (the "**CG Code**"), the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Kwok May Han Grace 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. The Board notes that certain Directors might not have been provided with the financial information on a monthly basis during the year ended 31 March 2017. Upon the revelation of such deviation, the Company has put in place policies to provide financial information to all its Directors. 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, since the Listing Date and up to the date of this announcement, the Group has complied with all the code provisions of the CG Code.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 March 2017 is available for viewing on the websites of the GEM website at www.hkgem.com and the Company's website at www.asecg.com and the annual report for the year ended 31 March 2017 of the Company containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). Having made a specific enquiry by the Company with each of the Directors, all Directors confirmed that they had complied with the Standard of Dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company since the Listing Date and up to the date of this announcement.

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

Hong Kong, 21 June 2017

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