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 REPORT 2018

SHAPING SUSTAINABILITY
ENHANCING LIVELIHOODS

PRINTED WITH SOY INK

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This report, 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 (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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Corporate Information

Board of Directors

Executive Director

Kwok May Han Grace *(Chairman)*

Non-Executive Director

Wu Dennis Pak Kit

Independent Non-Executive Directors

Lam Kin Che
Lie Kong Sang
Wong Yee Lin Elaine

Company Secretary

Chong Hing Cheong *(CPA)*

Compliance Officer

Kwok May Han Grace

Board Committees

Audit Committee

Lie Kong Sang *(Chairman)*
Lam Kin Che
Wong Yee Lin Elaine

Nomination Committee

Kwok May Han Grace *(Chairman)*
Lie Kong Sang
Wong Yee Lin Elaine
Lam Kin Che

Remuneration Committee

Wong Yee Lin Elaine *(Chairman)*
Lie Kong Sang
Lam Kin Che
Wu Dennis Pak Kit

Environmental, Social and Governance Committee

Kwok May Han Grace *(Chairman)*
Wu Dennis Pak Kit
Lie Kong Sang
Lam Kin Che
Wong Yee Lin Elaine

Risk Management Committee

Kwok May Han Grace *(Chairman)*
Wu Dennis Pak Kit
Lie Kong Sang
Lam Kin Che
Wong Yee Lin Elaine

Authorised Representatives

Kwok May Han Grace
Chong Hing Cheong *(CPA)*

Company's Website

http://www.asecg.com

Auditor

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8th Floor Prince's Building
10 Chater Road
Central
Hong Kong

Legal Adviser

Raymond Siu & Lawyers
Unit 1802, 18/F, Ruttonjee House,
11 Duddell Street, Central, Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
27/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

19/F., Kwan Chart Tower
6 Tonnochy Road
Wan Chai
Hong Kong

Corporate Information

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Des Voeux Road Central Branch
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Dah Sing Bank, Ltd.
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
2103B 21/F, 148 Electric Road
North Point
Hong Kong

Stock Code

8320

Financial Highlights

Revenue of the Group decreased from approximately HK$35.1 million for the year ended 31 March 2017 to approximately HK$30.5 million for the year ended 31 March 2018, representing a decrease of 13.0%. The decrease in revenue was mainly due to the decrease in revenue of green building certification consultancy, acoustics, noise and vibration control and audio-visual design consultancy and ESG reporting and consultancy segment of approximately HK$2.4 million, HK$1.5 million and HK$1.3 million respectively. Gross profit of the Group decreased by approximately 33.2% from approximately HK$19.4 million for the year ended 31 March 2017 to approximately HK$13.0 million for the year ended 31 March 2018. The decrease in the gross profit was mainly due to the progress of the contract services work of the Group's ongoing projects attained in the year being slower than expected and 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.

The loss for the year of the Group decreased from approximately HK$6.1 million for the year ended 31 March 2017 to approximately HK$4.1 million for the year ended 31 March 2018, mainly due to (i) the non-incurrence of any listing expenses for the year ended 31 March 2018, whereas listing expenses of approximately HK$12.5 million were incurred for the year ended 31 March 2017 and (ii) the increment of administrative expenses of approximately HK$5.5 million during the year ended 31 March 2018 to cope with future development of the Group.

The board of Directors (the "Board") has resolved not to declare the payment of any final dividend for the year ended 31 March 2018.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the board of Directors (the "Board"), it gives me great pleasure to present to you the audited consolidated results of Allied Sustainability and Environmental Consultants Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2018 (the "Year").

Kwok May Han, Grace
Chairman and Executive Director

Enrich Service Portfolio of Green Certified Existing Buildings

While the Group has been positioned as one of the leading green building certification consulting firms with proven track record of local and overseas green certified buildings, it is crucial for the Group to enrich its service portfolio in an increasingly competitive market. Therefore, during the Year, the Group made substantial efforts in achieving project success and widening its business dimension.

In October and December 2017, the Group set a milestone in its green building business by achieving Final Platinum ratings under BEAM Plus Existing Buildings V2.0 for International Commerce Centre and Two International Finance Centre, the tallest buildings of both sides of the Victoria Harbour in Hong Kong. This breakthrough has strengthened the Group's portfolio of green certified existing buildings in the local market, which consists of over 42,000 buildings and offers massive potential for existing buildings to go green.

In addition to extensive experience in local and international green building rating tools like BEAM Plus, Leadership in Energy and Environmental Design (LEED) and China Green Building Design Label (China GBL), the Group is also eager to explore other tools with emerging business opportunities in the industry. To realize this ambition, the Group has been seeking to enrich its in-house professional team's technical capability by attaining the qualification of BREEAM In-Use Assessor and kick-starting the first project in Hong Kong applying BREEAM, a UK-based international green building rating tool established by Building Research Establishment (BRE), with one of our existing clients. In April 2018, the Group received Pioneering Project Award and Pioneering Professional Award at the BRE China Annual Event and Awards Ceremony, in recognition of its efforts in pursuing the first licensed BREEAM In-Use Assessor and bringing a new BREEAM standard to the China and Hong Kong market. The awards marked a breakthrough for the Group to diversify its green building business by enriching its capability to use a variety of local and international green building rating tools, with an aim to prepare for future business opportunities.

Deliver Award-winning Environmental, Social and Governance (ESG) Reporting and Consultancy Service

Since November 2015, the Group has been striving to provide quality ESG reporting and consultancy service to listed companies covering a variety of industries. In January 2018, Fairwood Holdings Limited, one of the Group's customers, received the Best in Reporting – Small Cap in the inaugural BDO ESG Awards, which recognized outstanding listed companies in Hong Kong which have made a positive impact in the areas of ESG. It is an important milestone of the Group to have participated in producing an award-winning ESG report.

Broaden the Group's Horizons and Pursue New Business Opportunities

Apart from the green building and ESG business segments, the Group is well-versed in providing sustainability and environmental consultancy service, which includes not only a variety of built environmental studies but also innovative sustainable design solutions. Currently, we have been involving in a variety of project types, including microclimate studies for public housing developments, statutory environmental impact assessment studies for designated projects, innovative noise mitigation design for residential developments, and so on. The Group is optimistic that the demand for consultancy service in this sector will be on the rise in order to keep pace with the city's continuous development as well as the higher standard of environmental performance required. In addition, the Group has been extending its scope of services to lighting design projects in the acoustic, noise and vibration control, and audio-visual designs sector, in hopes of diversifying the Group's business scope and expanding its customer base.

Create Synergy with Industry Players and Provide One-stop Solutions and Products

In addition to the Group's extensive experience in providing sustainability and environmental consultancy service, it is important for the Group to explore further opportunities to offer one-stop environmental solutions and products. To this end, the Group has been actively seeking collaboration opportunities with various business partners during the Year.

In November 2017, the Group started strategic collaboration with Lifa Air International Limited, ECI Technology Holdings Limited and Linnovate Partners Holdings Limited in order to pave the way for offering a variety of solutions and products related to green building and smart building such as Smart Energy Dashboard and Indoor Air Quality Solution, which aim to facilitate day-to-day energy management process and to provide clean air through installing air purifiers respectively.

In January 2018, the Group has purchased 5,100,000 Shares of Sanbase Corporation Limited (Sanbase), which is an interior fit-out solutions provider with good business prospect. The Group is optimistic that this investment provides an opportunity for both companies to produce synergy effect in various business areas including green building projects, smart building projects, acoustics and lighting designs, and environmental monitoring services.

Prospects

Looking ahead, the Group sees great potentials in the green building certification business as green finance has emerged and gained importance in Hong Kong. The Financial Secretary's initiatives in the 2018/19 Budget released in February 2018 could promote the green building development in Hong Kong. For instance, the Government has proposed to launch a green bond insurance programme with a borrowing ceiling of HK$100 billion and to introduce a Green Bond Grant Scheme to subsidize qualified green bond issuers in using the Green Finance Certification Scheme operated by the Hong Kong Quality Assurance Agency. The Group is optimistic that this initiative will facilitate more investment in green building projects in the future. Not only will the Group gain more opportunities to participate in these projects as a green building consultant, but it also sees potential opportunities to engage with the financial sector through providing consultancy service based on our technical expertise and extensive experience in running green building and sustainability projects over the past 24 years.

In addition, the Government will put forward an enhancement on tax concessions for capital expenditure incurred in procuring eligible energy efficient building installations and renewable energy devices. The new arrangement is applicable to all types of new and existing buildings with such installations as long as they have achieved specific BEAM Plus rating and registration under the Energy Efficiency Registration Scheme for Buildings administered by the Electrical and Mechanical Services Department. It allows them to enjoy profits tax deduction to be claimed in full in one year instead of the current time frame of five years. The Group is of the view that this initiative will create more opportunities to develop green buildings in the long run. As a leading green building consulting firm, the Group will continue to leverage on our competitive strengths and core competencies to participate in more green building projects and strengthen our position in the industry.

In light of the ambitious goals of the Paris Agreement on climate change and the rising expectation of environmental protection and sustainable development, the Group will continue to explore other opportunities to develop more environmental solutions and products, including urban greenery business, an online ESG database, and so on. With a more diversified business in the environmental industry, the Group will not only strengthen its position as a one-stop comprehensive environmental solution provider but also enhance the Group's capability to serve all sectors for addressing environmental problems and combating climate change.

Despite the Group's proven track record of the China's Green Building Evaluation Label as well as acoustics consultancy projects in some Mainland cities, it is one of the Group's directions to expand our business into the People's Republic of China ("PRC") market. To this end, the Group will continue to explore development and acquisition opportunities in the PRC to expand its geographical coverage and keep pace with the rising market demand for environmental consultancy, solutions and products.

Appreciation

On behalf of the Board and our management team, I would like to take this opportunity to express my sincere gratitude to all the shareholders, business partners and customers for their generous support over the past financial year. My heartfelt appreciation also goes to all the Directors for their contributions, and all the staff members for their unfailing support and dedication. Despite the stronger competition in the industry, I believe that the Group will continue to build on its strengths, keep abreast of industry trends, and grasp new business opportunities in the increasingly competitive market in the years to come.

Kwok May Han Grace
Chairman and Executive Director

25 June 2018

Management Discussion and Analysis

Industry Review

The Group sees potential opportunities of providing green building certification consultancy and sustainability and environmental consultancy services with the metropolisation and surging population in Hong Kong. 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 mandatory requirement 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 indicates 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.

Business Review

The Company's subsidiaries are 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 52.7%, 31.0%, 8.3% and 8.0% to the Group's overall revenue for the year ended 31 March 2018, respectively. The Group derives the majority of its revenue from green building certification consultancy, and sustainability and environmental consultancy.

Green Building Certification Consultancy

This segment mainly provides environmental design and one-stop certification application services for developers and owners to enhance environmental performance and sustainability of their buildings. The Group provides professional consultancy services for its customers to meet global green building standards, including but not limited to Building Environmental Assessment Method (BEAM/BEAM Plus), Leadership in Energy and Environmental Design (LEED) and China Green Building Design Label (China GBL). As at 31 March 2018, the Group had 139 (as at 31 March 2017: 117) projects on hand which were mainly from property developers, contractors, architects, designers and government departments.

Sustainability and Environmental Consultancy

This segment is mainly engaged in the provision of sustainable design solutions to architects for urban regeneration, sustainable development and integrated planning. The solutions include but not limited to providing environmental impact assessment, noise impact assessment, air quality impact assessment, air ventilation assessment, carbon/energy audit and built environmental study. As at 31 March 2018, the Group had 74 (as at 31 March 2017: 70) projects on hand which were mainly from property developers, contractors, architects, designers and government departments.

Acoustics, Noise and Vibration Control and Audio-visual Design Consultancy

This segment provides services to assist architects and engineers to test and evaluate environmental performance of various materials and products for buildings. The services include but are not limited to architectural acoustics, building acoustics, mechanical service and airborne noise control, sound reinforcement and public address system, architectural and facade lighting system as well as theatre planning and stage equipment system. As at 31 March 2018, the Group had 39 (as at 31 March 2017: 32) projects on hand which were mainly from property developers, architects and designers.

ESG Reporting and Consultancy

This segment provides companies listed on the Stock Exchange with consultancy on ESG reporting, which is required by the Stock Exchange to encourage listed companies to identify and disclose additional ESG issues and key performance indicators that are non-financial information but reflect significant environmental and social impacts, and ultimately influence the assessments and decisions of stakeholders. The Group provides a one-stop solution from identifying the material aspects of ESG issues and formulating ESG implementation plan to the preparation of an ESG report. As at 31 March 2018, the Group had 29 (as at 31 March 2017: 24) projects on hand across various industries.

Prospects

Since the incorporation of 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 Qianhai, Shenzhen in Mainland China, the Group has been actively exploring development and acquisition opportunity in Mainland China. Furthermore, the Group will contribute to (i) establishing and facilitating a member alliance of greener technologies and products that benefit the environment in order to accelerate and support their implementation, advancement and adoption; (ii) stimulating and supporting growth, including in the area of employment, in this evolving and expanding technological and production field; and (iii) identifying, endorsing and promoting existing and emerging greener innovative technologies and related products to all sectors including the general public. Further, the Group is planning to develop its business in green building services and solutions and green products by using its internal working capital.

In early November 2017, the Company entered into non-legally binding letters of intent with each of three strategic partners. Pursuant to those letters of intent, the Company has cooperated and collaborated with:

(1) ECI Technology Holdings Limited (stock code: 8013) ("ECI") to provide solutions and products in relation to smart building and green buildings globally. Besides, ECI and the Company may jointly establish a company to provide occupational safety training and licensing courses for people in the construction industry. ECI is a company incorporated in the Cayman Islands and listed on the GEM. ECI is engaged in the provision of extra-low voltage (ELV) solutions;

(2) Linnovate Partners Holdings Limited ("Linnovate") to provide environmental, green building, and smart building related IT solutions and programming services globally. Linnovate is a company incorporated in Hong Kong aimed at servicing as a platform bringing simplicity to complex business and technology issues for the alternative investment industry; and

(3) Lifa Air International Limited ("Lifa Air") to engage in indoor air quality business in the commercial sector and/or in relation to green buildings globally. Lifa Air group was founded in Finland in 1988 and is engaged in the business of providing green indoor air quality solutions and improving standards of healthy living styles. Their products are designed to maintain healthy indoor air by preventing typical airborne contaminants from entering into the room air.

In January 2018, the Group has been allotted and issued, 1,000,000 Offer Shares of Sanbase Corporation Limited (stock code: 8501.HK) ("Sanbase") and has purchased from the market 4,084,000 shares of Sanbase. Sanbase is an interior fit-out solutions provider with good business prospect. The Group will continue to work with Sanbase for creating synergy in various business areas including green building projects, smart building projects, acoustics and lighting designs, and environmental monitoring services.

* *For identification only*

In February 2018, the Group has launched its new product, smart energy dash board. It provides real-time monitoring and analysis of the energy consumption of each operation module, and assists enterprises to identify energy saving opportunities. As going green is a global trend, the Group is optimistic with its future development. The Group believes that the product can significantly bring management efficiency and cost saving benefits to certain target groups, including property management companies, companies with multi-location offices, companies that intend to launch smart energy bill, tenants which need to split the energy bill etc.

In March 2018, the Group has planned to launch its indoor air quality solution and received positive client feedback. In cosmopolitan cities like Hong Kong, Shanghai, Beijing and Shenzhen, commercial centers demand for high environmental standard and quality lifestyle to stay competitive. The Group believes that its new solution will benefit from the growing demand for better indoor working environment.

In the future, the Group may continue to extend its business scope by developing more environmental solutions and products. The Group is aware of the growing consciousness in Hong Kong that greening, landscape and tree management consultancy could significantly improve living quality through proper planting, maintenance and preservation of trees, while mismanagement of trees could be a threat to the public safety. The Group is currently in active exploration in the urban greenery business which would potentially provide more comprehensive environmental consultancy services to the Group's customers, including the government and property developers, and create a greener and safer community.

Through ongoing business diversification, the Group may establish a wider presence in the environmental industry with an aim to become a one-stop comprehensive environmental solution provider.

Financial Review

Revenue

The total revenue of the Group decreased from approximately HK$35.1 million for the year ended 31 March 2017 to approximately HK$30.5 million for the year ended 31 March 2018, representing a decrease of 13.0%. As at 31 March 2018, the Group had 281 projects on hand, the aggregate contract sum of which amounted to HK$115.7 million approximately.

The revenue of green building certification consultancy decreased by 13.0% from approximately HK$18.5 million for the year ended 31 March 2017 to approximately HK$16.1 million for the year ended 31 March 2018, which was resulted from (i) the slowdown of progresses of the projects; (ii) keen competition and (iii) the general decrease in the bidding price in this segment.

The revenue of sustainability and environmental consultancy increased by 6.5% from approximately HK$8.9 million for the year ended 31 March 2017 to approximately HK$9.5 million for the year ended 31 March 2018. 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 36.9% from approximately HK$4.0 million for the year ended 31 March 2017 to approximately HK$2.5 million for the year ended 31 March 2018 which was mainly due to the slowdown of progresses of the projects and keen competition in this segment.

The revenue of ESG reporting and consultancy decreased by approximately 33.9% from approximately HK$3.7 million for the year ended 31 March 2017 to approximately HK$2.5 million for the year ended 31 March 2018, which was due to the slowdown of progresses of the projects and keen competition in this segment.

The table below sets forth the breakdown of the revenue by segment for each of the years ended 31 March 2017 and 2018:

	2018		2017	
	HK$'000	%	HK$'000	%
Green building certification consultancy	16,093	52.7	18,490	52.7
Sustainability and environmental consultancy	9,460	31.0	8,884	25.3
Acoustics, noise and vibration control and audio-visual design consultancy	2,527	8.3	4,004	11.4
ESG reporting and consultancy	2,457	8.0	3,718	10.6
Total	30,537	100.0	35,096	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 12.1% from approximately HK$15.7 million for the year ended 31 March 2017 to approximately HK$17.6 million for the year ended 31 March 2018.

The Group's gross profit decreased by approximately 33.2% from approximately HK$19.4 million for the year ended 31 March 2017 to approximately HK$13.0 million for the year ended 31 March 2018. The decrease in the gross profit being mainly due to (i) the progress of the contract services work of the Group's on-going projects attained in the year was slower than expected; (ii) keen competition and the general decrease in the bidding price in the industry and (iii) 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 47.2% from approximately HK$11.7 million for the year ended 31 March 2017 to approximately HK$17.2 million for the year ended 31 March 2018. 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 fees and rental expenses.

Loss for the year wholly Attributable to the Owners of the Company

The Group's loss attributable to the owners of the Company decreased from approximately HK$6.1 million for the year ended 31 March 2017 to approximately HK$4.1 million for the year ended 31 March 2018. The decrease mainly due to (i) the non-incurrence of any listing expenses for the year ended 31 March 2018, whereas listing expenses of approximately HK$12.5 million were incurred for the year ended 31 March 2017 and (ii) the increment of administrative expenses of approximately HK$5.5 million during the year ended 31 March 2018.

Net Cash Used in Operating Activities

The Group's net cash used in operating activities for the year ended 31 March 2018 was approximately HK$8.7 million, whereas there was net cash used in operating activities of approximately HK$21.6 million for the year ended 31 March 2017 mainly due to the payment of HK$12.5 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.

The Company requires cash primarily for working capital needs. As at 31 March 2018, the Company had approximately HK$31.4 million in cash and bank balances (31 March 2017: approximately HK$39.1 million), representing a decrease of approximately HK$7.7 million as compared to that as at 31 March 2017.

The Company monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's bank borrowings (including short-term bank loan) as appropriate. The bank borrowings are secured, repayable on demand and denominated in Hong Kong dollars, and bear interest at a floating rate. As at 31 March 2018, the Group had banking facilities in an aggregate amount of approximately HK$10.1 million, of which approximately HK$7.6 million was utilised.

Dividend

The Board has resolved not to declare the payment of any final dividend in respect of the year ended 31 March 2018 and 2017.

Employees and Remuneration Policies

As at 31 March 2018, the Company had a total of 55 employees (31 March 2017: 51). 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.

Gearing Ratio

The gearing ratio of the Group, calculated as total borrowings divided by total share capital and reserves, was approximately 10% as at 31 March 2018 (2017: Nil).

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. 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 2018.

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 2018. 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 2018.

Corporate Guarantee and Pledge of Assets

As at 31 March 2018, the Group's bank borrowings were guaranteed or secured by its assets below:

(i) corporate guarantees provided by the Company; and

(ii) the pledge of the Group's bank deposits of approximately HK$5 million as at 31 March 2018.

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

Contingent Liabilities

As at 31 March 2018, the Group had no significant contingent liabilities (2017: Nil).

Capital Commitments

As at 31 March 2018, the Group had capital commitments in relation to the purchase of intangible assets of approximately HK$63,000 (31 March 2017: HK$136,000).

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.

* *For identification only*

Comparison between business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2018 (the "Listing Period") is set out below:

Business Objectives for the Listing Period	Actual Business Progress for the Listing Period
Expand into the PRC market through establishment of subsidiaries, co-operation with other third parties and/or acquisitions	In early November 2016, the Group has established 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 Qianhai Shenzhen in Mainland China to meet the increasing market demand for consultancy on green building certification consultancy and sustainability and environmental consultancy in the PRC. The Company continues to explore opportunities to acquire companies in the PRC which are of similar size as the Group and provide green building certification consultancy and/or sustainability and environmental consultancy based on a number of factors, including whether they (i) have a good track record but different customer base; (ii) possess the necessary licences and permits in the PRC as well as experienced and qualified staff; and (iii) have the geographical coverage where the Company intends to develop its business in the PRC.
Further expand and develop the ESG reporting and consultancy	The Company is setting up an online database that contains information on ESG reporting and consultancy as one of its major marketing efforts. Existing customers can get access to valuable information such as key performance indicators and the Company's professional team's insights and in turn stay in close connection with the Company. Potential customers will also get access to some information on this database and become acquainted with the operation of the Company.
Further strengthen and expand the Group's in-house team of professional staff	The Company hired a total of 4 new consultants/assistant consultants whose expertise are in green building certification consultancy and sustainability consultancy, environmental consultancy and acoustic consultancy and they are all provided with recruitment training and are assigned to the corresponding project teams.
Expansion through mergers and acquisitions in Hong Kong	Since the Company was listed on the Listing Date, the Group's expansion plan in Hong Kong has still been on-going. The management is in the process of identifying business or companies engaged in ecological analysis and environmental monitoring. For efficiency and better quality control purpose, the Company also targets to vertically integrate its operation by acquiring business or companies of its sub-contractors, such as companies providing ecological survey and assessment services. The management is also considering to consolidate with established resources and expertise of other businesses to the Group so as to enable the Group to provide wider scope of services and expand its customer base.

Principal Risks and Uncertainties

The Group's financial condition, operation and business prospect may be affected by the following principal risks and uncertainties directly or indirectly. There may be other risks and uncertainties in addition to those shown below which are not presently known to the Group or currently deem immaterial but may adversely affect the Group in future.

1. *Reliance on bidding for revenue*

Over 90% of the Group's revenue were derived from projects awarded through bidding which are not recurrent in nature and there is no assurance that its customers will provide it with new businesses in the future. The ability of the Group to achieve success in the bidding processes will be essential to its revenue.

In view of the intense market competition, the Company's project team has dedicated more time and efforts in exploring additional business opportunities or strengthening its professional accreditations, such as:

(i) submitting bidding for other types of properties (e.g. infrastructure projects) in the sustainability and environmental consultancy sector;

(ii) encouraging its project team members to obtain the new certifications in the green building certification consultancy sector as clients may award extra score to companies with certified staff, thereby increasing the Company's competitiveness and successful rate in bidding; and

(iii) extending its scope of services to lighting design projects in the acoustic, noise and vibration control, and audio-visual designs sector.

The Company has also involved more professional staff in the bidding process of a project, including preparing fee proposal, dealing with potential clients and negotiating the service fees after the bid, in order to secure more projects on hand and to maximise the profitability of the Company which lead to a further increase in such costs.

To diversify the Company's reliance on bidding for new business, the Company has also sent its project team members to team up with engineering consultancy companies in the industry as it plans to venture to provide services for other types of property in the sector of sustainability and environmental consultancy and submit proposal for tender projects offered by Highways Department and the Water Supplies Department.

2. *Keen competition*

The Group faces keen competition from the other players in the market, some of which may have greater financial and other resources, a larger variety of services, greater pricing flexibility, stronger brand recognition or more established and solid customer base.

In addition to its efforts in securing bids, the Group also explores business opportunities actively by entering into non-legally binding letters of intent with each of three strategic partners. Please refer to the "Prospects" section set out on pages 10 to 11 of this report for the details.

3. *Additional operating costs for team expansion*

In view of the fierce competition in the market, the Group has further strengthened and expanded its in-house team of professional staff, details of which are set out in the section headed "Comparison between business objectives with actual business progress" of Management Discussion and Analysis. The expansion of the in-house team resulted in a decrease in gross profit. There is a risk that incurrence of such additional costs might not generate revenues proportionately.

The Board is of the view that the new staff members can strengthen the Group's ability to secure bids in the future and maintain its relationship with existing clients. They can also share their work experience they gained with their previous firms and bring synergy to the Group. The Board thus believes that the expansion of its in-house team is beneficial to the gross profit margin.

Principal Risks and Uncertainties (Continued)

3. Additional operating costs for team expansion (Continued)

Furthermore, the Group's pricing and revenue recognition are determined based on the estimated time and costs to be involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect its financial results. It is essential that the Group controls and manages its costs of services carefully and effectively.

The Board understands that the costs of services include both direct labour costs and sub-contractors costs. The Board will continue to adjust the ratio of consultancy work between those outsourced to sub-contractors and performed by the in-house team with an aim to improve the service quality and to enhance our profitability.

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 dated 30 September 2016, 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, the gross proceeds was 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. The Company will deposit the unused net proceeds into short-term demand deposits with Hong Kong licensed banks.

As at 31 March 2018, the net listing proceeds have been applied and utilized as follows:

Use of net proceeds	Note	**Adjusted planned use of net proceeds#** (HK$'000)	**Approximate percentage of total net proceeds**	**Adjusted planned use of proceeds up to 31 March 2018*** (HK$'000)	**Actual use of net proceeds up to 31 March 2018** (HK$'000)	**Unused net proceeds up to 31 March 2018** (HK$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries	1	13,358	40%	6,100	45	13,313
Expand through strategic mergers and acquisitions in Hong Kong	1	6,679	20%	3,800	–	6,679
Further expand and develop the Group's services to ESG	2	6,679	20%	4,350	2,958	3,721
Further strengthen and expand the Group's in-house team of professional staff	3	5,010	15%	2,800	3,564	1,446
Provide funding for the Group's working capital and other general corporate purposes		1,670	5%	NA(note 4)	1,670	–
Total		33,396	100%	17,050	8,237	25,159

Note 1: The actual use of net proceeds was slower than the adjusted planned use of proceeds up to 31 March 2018 because the progress of PRC and Hong Kong business expansion was slower than expected due to keen competition.

Note 2: The actual use of net proceeds was slower than the adjusted planned use of proceeds up to 31 March 2018 because the progress of expansion of ESG development business of the Group was slower than expected due to keen competition.

Note 3: The actual use of net proceeds exceeds the adjusted planned use of proceeds up to 31 March 2018 as a result of the acceleration of expansion of the Group's in-house team during the year ended 31 March 2018 to cope with the expected expansion of the Group.

Note 4: The timeline of the usage of funding for working capital and other general corporate purposes was not specified in the Prospectus.

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 placing price of HK$0.25 per share) and the actual net proceeds received.

* The planned use of proceeds up to 31 March 2018 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.

Events After Reporting Period

There is no significant event of the Group after the reporting period.

Disclosures under rules 17.22 to 17.24 of the GEM Listing Rules

As at 31 March 2018, there is no circumstance which would give rise to a disclosure obligation on the part of the Group under Rules 17.22 to 17.24 of the GEM Listing Rules.

Disclosure of change of Directors' Information

The Directors are not aware of any change in the information in respect of Directors, supervisors and chief executives required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules during the year ended 31 March 2018.

Directors' Report

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2018.

Principal Activities and 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's principal place of business is at 19/F., Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. During the year ended 31 March 2018, 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 consultancy in Hong Kong, Macau and the mainland of the People's Republic of China ("Mainland China" or the "PRC"). Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments of the Group's business, can be found in the Management Discussion and Analysis set out on pages 9 to 18 of this report. This discussion forms part of this Directors' report. The Board has resolved not to declare the payment of any final dividend in respect of year ended 31 March 2018 (2017: Nil).

Results and Appropriations

The financial performance of the Group for the year ended 31 March 2018 and the financial position of the Group as at that day are set out in the consolidated financial statements on pages 51 to 55 of this report.

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 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, (1) not to 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) not to 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").

During the year ended 31 March 2018, 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 competes or may compete with the business of the Group and any other conflict of interest with the Group.

The Controlling Shareholders have confirmed to the Company that during the year ended 31 March 2018, they and their respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

Directors' Interest in Competing Business

Save and except for the interests of our Directors in our Company and its subsidiaries, during the year ended 31 March 2018, none of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business,

Environmental Policy

The Group recognizes its responsibility to protect the environment from its business activities. The Group has endeavoured to comply with the laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections among our staff.

Key Relationship with Customers and Suppliers

The Group maintains good relationship with its customers and suppliers. During the year ended 31 March 2018, there was no dispute between the Group and its customers and suppliers.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Revenue	**Subcontracting cost**
The largest customer	7.6%	NA
Five largest customers in aggregate	31.7%	NA
The largest supplier	NA	30.5%
Five largest suppliers in aggregate	NA	84.6%

At no time during the year have the Directors, their close associates or any shareholder of the Company (the "Shareholders") (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

Reserves

Details of movements in the reserves of the Group during the year ended 31 March 2018 are set out in notes 26 and 27 to the consolidated financial statements of this report.

Distributable Reserves

Pursuant to the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and reserved) of the Cayman Islands, share premium of the Company is distributable to the shareholders. As at 31 March 2018, the Company's reserves available for distribution to equity shareholders of the Company amounted to approximately HK$21.2 million.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 March 2018 are set out in note 26 to the consolidated financial statements of this report.

Save as disclosed in note 27 to the consolidated financial statements of this report, there were no other purchases, sales or redemptions of the Company's listed securities by the company or any of its subsidiaries during the year ended 31 March 2018.

Capital Expenditure

The Company purchased property, plant and equipment amounting to HK$124,000 for the year ended 31 March 2018 which comprised acquisition of furniture, fixtures and office equipment.

Directors

The Directors during the year ended 31 March 2018 and up to the date of this report were:

Chairman and Executive Director

Ms. Kwok May Han Grace

Non-executive Director

Mr. Wu Dennis Pak Kit

Independent non-executive Directors

Professor Lam Kin Che
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine

Further details of the Directors are set forth in the section headed "Biographical Details of Directors and Senior Management" of this report. To the best knowledge of the Company, save as disclosed under the section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

No director who is required to retire by rotation and offer himself proposed for re-election at the forthcoming annual general meeting of the Company (the "Annual General Meeting") has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Debenture

The Group has not issued any debentures during the year ended 31 March 2018.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the year ended 31 March 2018 or subsisting as at 31 March 2018 are set out below:

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") by the resolutions in writing of the Shareholders on 23 September 2016. No options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme during the year ended 31 March 2018.

Equity-linked Agreements (Continued)

Share Option Scheme (Continued)

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. Who may join	(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including executive Directors, non-executive Directors 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.
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 the date of grant.
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 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.

Equity-linked Agreements (Continued)

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 welfares to ensure talents can be retained and their productivity and potentials can be elevated.

During the year ended 31 March 2017, BOCI-Prudential Trustee Limited, acted 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 a grant of Shares under the Share Award Scheme pursuant to the terms and conditions of the rules of the Share Award Scheme. During the year ended 31 March 2017 and 2018, no Shares were granted to any participants. In April 2018, Administration Committee has resolved to grant 12,100,000 shares ("the Grant Shares") to Selected Participant. The vesting of the Grant Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any of its subsidiary.

Save as disclosed above, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

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

As at 31 March 2018, 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 (《證券及期貨條例》) (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 are 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:

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, Beneficial owner and Interest of spouse	723,041,600 (long position)	60.25%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse and Beneficial owner	723,041,600 (long position)	60.25%

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.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations (Continued)

Interests in the associated corporation

Name of associated corporation	Name of Directors	Capacity	Number 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 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.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive 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 as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As far as the Directors are aware, as at 31 March 2018, the following persons (other than a Director or chief executive of the Company) have or are 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 is deemed to be interested in the Shares held by City Beat.

Save as disclosed above, as at 31 March 2018, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who have 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' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year ended 31 March 2018 and up to the date of this report, has been the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) 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.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 10 and 11 to the consolidated financial statements of this report, respectively. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2018.

Sufficiency of Public Float

Based on information that is publicly available to the Company and based on the best knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued Shares which was held by the public during the year ended 31 March 2018.

Connected Transactions

On 9 November 2016, the Company entered into a consultancy services agreement (the "Consultancy Services Agreement") with Dr. Wong Wing Ho James ("Dr. James Wong") as the Company's honourable adviser for an initial term of two years from 1 October 2015. Since Dr. James Wong was a director of a subsidiary of the Company, he is a connected person of the Company and therefore the Consultancy Services Agreement and the transaction contemplated thereunder constitute continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since all the applicable percentage ratios are less than 5% and the total consideration of the Consultancy Services Agreement is less than HK$3,000,000, the Consultancy Services Agreement with Dr. James Wong and the transaction contemplated thereunder are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Details of the related party transactions of the Company are set out in note 31 to the consolidated financial statements of this report. The related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the GEM Listing Rules.

Compliance with Laws and Regulations

As far as the board of directors of the Company and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Emolument and Remuneration Policy

The Company has a remuneration committee for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practice

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 March 2018.

Bank Borrowings

Particulars of bank borrowing of the Group as at 31 March 2018 are set out in note 23 to the Financial Statements.

Confirmation of Independence

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine as independent.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Pre-emptive Rights

There are no provision for pre-emptive rights under the Articles of Association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Permitted Indemnity Provision

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2018.

Pursuant to the Articles and subject to the laws of the Cayman Islands, every Director or his or her heirs, executors and administrators shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain by or by reason of any act done, incurred in or omitted in or about the execution of his or her duties, or supposed duty, in his or her office.

The Company has arranged for appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and senior management of the Company arising out of corporate activities.

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 Shares during the year ended 31 March 2018 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 (as defined in the GEM Listing Rules), 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 31 March 2018.

Corporate Governance Code

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 as 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.

Corporate Governance Code (Continued)

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, the Board noted that certain Directors might not have been provided with the financial information on a monthly basis from the Listing Date to July 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 has complied with code provision C.1.2 of the CG Code.

Save as disclosed above, during the year ended 31 March 2018 and up to the date of this report, the Group has complied with all the code provisions of the CG Code.

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 34 to 46 of this report.

Compliance with Code of Conduct for Directors' 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 set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiries by the Company, 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 during the year ended 31 March 2018 and up to the date of this report.

Corporate Governance, Environmental and Social Responsibility

The Group is committed to the principles of good corporate governance, and strives to integrate corporate social responsibility into its business strategy and management approach.

The ESG Report of the Group prepared in accordance with Appendix 20 to the GEM Listing Rules will be published before 30 September 2018.

Charitable Donations

Charitable donations made by the Group during the year ended 31 March 2018 amounted to HK$249,900 (31 March 2017: HK$141,650).

Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 90 of this report.

Audit Committee

The Board 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. During the year ended 31 March 2018, the Audit Committee held four meetings to review the Group's annual report, interim report and quarterly reports. The Group's audited consolidated financial statements for the year ended 31 March 2018 and this report have been reviewed by the Audit Committee. The Audit Committee is of the view that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

Independent Auditors

KPMG was appointed by the Directors as the first auditors of the Company. The consolidated financial statements of the Group for the year ended 31 March 2018 have been audited by KPMG whose term of office will expire upon the forthcoming Annual General Meeting. A resolution to re-appoint KPMG as independent auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Closure of the Register of Members

The forthcoming Annual General Meeting is scheduled to be held on 13 August 2018 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 August 2018 to 13 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited of 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on 6 August 2018.

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

Hong Kong, 25 June 2018

Biographical Details of Directors and Senior Management

Executive Director

Ms. Kwok May Han Grace (郭美珩), aged 44, was appointed as the executive Director of the Company on 11 November 2015 and chairman of the Board on 11 November 2016. Ms. Kwok is also the compliance officer of the Company and one of the authorised representatives under Rule 5.24 of the GEM Listing Rules. She is responsible for the overall planning, management and strategic development of the Group and oversees the operations of the Group's business.

Ms. Kwok joined the Group in April 1999 and has over 19 years' experiences working as acoustics, environmental and sustainability consultant. She was appointed as a director of AEC Hong Kong on 10 June 2004. She was accredited as a member of the Green Building Faculty since 2012. She also possessed various professional qualifications, including LEED Accredited Professional recognized by the Green Building Certification Institute in November 2007, BEAM Professional since July 2010 (including accredited as BEAM Pro Neighbourhood in 2017) by the Hong Kong Green Building Council, BREEAM Accredited Professional and BREEAM In-Use Assessor in 2016 by the BRE Academy and authorized GBL Manager by the China Green Building (Hong Kong) Council in 2017. She received a certificate on training from the China Green Building Council in March 2015 and certificate from GRI on G4 exam on sustainability reporting in January 2016. Ms. Kwok is a member of the Expert Panel of the BEAM Society Limited and has served as a member of various Hong Kong Green Building Council (HKGBC) standing committees, including Public Education Committee, Green Labelling Committee, Communications and Membership Committee, and Corporate Affairs and Membership Committee. She is a founding fellow and serves on the Board of Directors of the Hong Kong Institute of Qualified Environmental Professionals (HKIQEP) and also a fellow member and Immediate Past Chairman of the Hong Kong Institute of Acoustics (HKIOA).

Ms. Kwok graduated from The Hong Kong Polytechnic University with a degree of Bachelor of Engineering in Environmental Engineering in November 1998. She is the wife of Mr. Wu Dennis Pak Kit, a non-executive Director of the Company.

Non-Executive Director

Mr. Wu Dennis Pak Kit (胡伯杰), aged 43, was appointed as the non-executive Director of the Company on 16 November 2015. He is responsible for providing advice on strategic development of the Group.

He has 19 years of experience in the finance industry. Mr. Wu worked as an accounting supervisor at Techno Group, a company engaging in manufacturing of plastic moulds for home appliances, in Hong Kong from April 1998 to June 2000. From September 2000, he worked as a staff accountant at the Assurance and Business Advisory Services Department of Arthur Andersen (which was acquired by PricewaterhouseCoopers in July 2002) and he left the firm as a senior associate in April 2003. He has been the executive director in the finance department of CITIC Capital Holdings Limited, a company focusing on alternative asset management including private equity, real estate, mezzanine venture capital and marketable securities since April 2003. From 1 July 2017, he has appointed as the executive director in the principle investment department of the same company. He is also a director of the Hong Kong Private Equity Finance Association which aims to promote the private equity and venture capital industry in Hong Kong.

Mr. Wu joined the Group in January 2015 as a director and he received a certificate on training from the China Green Building Council in March 2015. He is the husband of Ms. Kwok May Han Grace, the executive Director of the Company and the chairman of the Board.

Mr. Wu graduated from the University of Southern California in the United States ("US") with a bachelor's degree in Business Administration, majoring in Finance, in December 1996. He obtained a master's degree of Accountancy from The Chinese University of Hong Kong in November 2001.

Independent Non-Executive Directors

Professor Lam Kin Che (林健枝) ("Professor Lam"), SBS, JP, aged 70, was appointed as an independent non-executive Director of the Company on 23 September 2016.

Professor Lam was admitted as an honorary fellow of The Chartered Institution of Water and Environmental Management, the United Kingdom in April 2006, of Hong Kong Institute of Acoustics in June 2012 and The Hong Kong Institute of Environmental Impact Assessment in June 2012.

For community services in Hong Kong, Professor Lam was a council member of the Sustainable Council from March 2003 to February 2011, the Advisory Committee on Water Resources and Quality of Water Supplies from April 2000 to March 2004, Hong Kong Observatory from October 2006 to September 2010, and the Advisory Committee on Agriculture and Fisheries from May 1988 to May 1992. He served as the Chairman of the Advisory Council on the Environment from January 2003 to December 2009 and has been the Chairman of the Biodiversity Strategy and Action Plan Steering Committee from June 2013 to May 2016. He was also a member of the Appeal Board Panel (Town Planning) from November 1991 to December 1999, Registration of Persons Tribunal from June 1999 to May 2005, Air Pollution Control Appeal Board Panel from March 1989 to January 2001, Noise Control Appeal Board Panel from February 1989 to January 2004, Environmental Impact Assessment Appeal Board Panel from April 2013 to March 2016, and Waste Disposal Appeal Board Panel from February 2013 to January 2016, all of which are boards, committees or councils of the government of Hong Kong.

Professor Lam has been an adjunct professor of the Department of Geography & Resources Management of The Chinese University of Hong Kong since August 2012.

Professor Lam graduated from The University of Hong Kong with a degree of Bachelor in Arts in November 1970 and a degree of Master of Philosophy in November 1974. He obtained a degree of Doctor of Philosophy from The University of New England in Australia in April 1981.

He is currently a member of the Task Force of Land Supply since August 2017.

Mr. Lie Kong Sang (李港生) ("Mr. Lie"), aged 52, was appointed as an independent non-executive Director of the Company on 23 September 2016.

Mr. Lie has over 27 years of experience in providing assurance and advisory services to global and local financial institutions, fund management companies, service providers and traditional, hedge, private equity and real estate funds during which he worked in PricewaterhouseCoopers, an accounting firm in Hong Kong from January 1995 to June 2015, with his last position as an assurance partner. Mr. Lie was conferred by Hong Kong Institute of Certified Public Accountants as a certified public accountant in November 1993.

Mr. Lie has also been a member of Hong Kong Securities Institute since April 2011 and a fellow member of The Association of Chartered Certified Accountants since May 1998.

Mr. Lie graduated from the University of Glasgow in the United Kingdom with a bachelor degree in accountancy in 1988.

Ms. Wong Yee Lin Elaine (王綺蓮) ("Ms. Wong"), aged 63, was appointed as an independent non-executive Director of the Company on 23 September 2016.

Ms. Wong has been a fellow member of Hong Kong Institute of Human Resources Management ("HKIHRM") since April 2003 as well as a member of Employee Engagement and Employer's Branding Committee of HKIHRM since 1999, and of Remuneration Committee of HKIHRM since 2012. She was an executive council member of HKIHRM from 1999 to 2011.

Ms. Wong was the Head of Human Resources (Hong Kong and China) of Northwest Airlines (now known as Delta Airlines) from October 1989 to August 1992. She was the Employee Relations Manager of Enviropace Limited (now known as Ecospace Limited) from August 1992 to February 1994. She then worked as the Head of Human Resources (Greater China Area) of Tandem Computers Limited (now known as Hewlett Packard Ltd.) from March 1994 to October 1994. She worked as a Human Resources Manager of Unisys Computers Limited from November 1994 to April 1995. She was the Human Resources Manager in International Private Banking of Standard Chartered Bank from May 1995 to March 1996. She was the Human Resources Manager of Jardine Fleming Holdings Limited (now J.P. Morgan Holdings (Hong Kong) Limited) from June 1996 to September 1998. She was the Vice President and Head of Human Resources Services of CITIC Bank International Limited from October 1998 to April 2002. She was the director and Head of Human Resources and Administration of CITIC Capital Holdings Limited from May 2002 to May 2006. She was the Managing Director, Head of Human Resources of CITIC Securities International Company Limited from May 2006 to April 2015. Ms. Wong served as Senior Human Resources Adviser in CITIC Securities International Co., Ltd. from April to December 2015.

Ms. Wong is currently serving as Vice President of The Asia Pacific Professional Managers Association and a member of the Staff Panel of Scout Association of Hong Kong since March 2016. She was a founder and has been a director of a non-governmental organisation, Hong Kong Credible Care Volunteers Association Limited since February 2013.

Ms. Wong obtained Certificates of Competence (Level A and Level B) in Occupational Testing from British Society of Psychology in September 1996 and December 1996 respectively. She also obtained a master degree, majoring in human resources management through a distance learning programme from American States University in US in February 1995. She has over 25 years of experience in human resources management.

Senior Management

Mr. Chan Chi Kee Henry (陳翅麒), aged 44, is our associate director principally responsible for acoustic and audio-visual design, project management, coordination with different parties and progress monitoring. Mr. Chan joined our Group in April 2016. Mr. Chan graduated from the Hong Kong Polytechnic University with a bachelor of engineering (Hons) in Environmental Engineering in November 1997. He has 18 years of experience in the building construction industry.

Mr. Chan has started his professional as an acoustician, was accredited as a member of Institute of Acoustics (MIOA) in March 2002 and the Certified Technology Specialist (CTS) by InfoComm in February 2008. He has then further developed his lighting design skills and become a professional member of the International Association of Lighting Designers (IALD) in January 2013. Mr. Chan is also an accredited BEAM Professional by Hong Kong Green Building Council Limited in April 2016 and a qualified project manager as he obtained the membership of the Association for Project Management (APM) in November 2007.

Mr. Ip Chee Wang Rodney (葉子泓), aged 40, is our associate director, being responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Ip first joined our Group in May 2002 as an assistant consultant and was promoted to a senior consultant. He resigned from our Group in March 2007 and re-joined in March 2016.

Mr. Ip obtained a degree of Bachelor of Engineering in Mechanical Engineering from Hong Kong University of Science and Technology ("HKUST") in November 1999, and a degree of Master of Philosophy in Mechanical Engineering in HKUST in November 2001. He is a chartered engineer, corporate member of The Hong Kong Institution of Engineers and the Hong Kong Institute of Environmental Impact Assessment, member of the Institution of Mechanical Engineers, qualified BEAM Pro and Registered Energy Assessor with Electrical and Mechanical Services. He was admitted as a committee member for HKIOA in 2006 to 2009.

Mr. Sze Wing Hong (施泳匡), aged 37, is our principal consultant responsible for acoustic, environmental and green building project management, coordination with different parties and progress meeting. Mr. Sze was our senior consultant from January 2011 to June 2013 and was promoted to as a principal consultant in July 2013. He has participated in a variety of projects involving the design of heating, ventilation, air conditioning system, fire services system, plumbing and drainage system.

Mr. Sze obtained a degree of Bachelor of Engineering in Building Services Engineering and a degree of Master of Engineering in Building Services Engineering, both in December 2006 and from The Hong Kong Polytechnic University. He is a BEAM Professional accredited by the Hong Kong Green Building Council in August 2011.

Mr. Lai Ka Yeung Andy (黎家揚), aged 31, is our senior consultant responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Lai joined our Group in November 2011 as a consultant and was promoted to as a senior consultant in April 2015. Mr. Lai obtained a degree of Bachelor of Science from the University of Nottingham in July 2008. He obtained degree of Master in Environmental Engineering from the University of Hong Kong in November 2016.

Mr. Tong Jonathan (湯臻恩), aged 31, is our senior consultant responsible for ESG reporting and consultancy, and environmental and green building project management. Mr. Tong joined our Group in November 2011 as an Assistant Consultant, and gradually moved up the ranks where he was promoted Senior Consultant in December 2015. Mr. Tong graduated from the University of Wisconsin-Madison in May 2009 with a Bachelor of Science. He obtained his Master of Science degree in Environmental Engineering and Management from the HKUST in November 2013.

Ms. Man Yi Hang Cathy (文爾珩), aged 32, is our senior consultant responsible for environmental and green building project management coordination with different parties and progress monitoring. Ms. Man joined our group in September 2010 as an assistant consultant. She was promoted as our consultant and senior consultant in November 2011 and March 2014, respectively. Ms. Man has been involved in environmental assessments and sustainable building design studies for development in both the public and private sectors. Ms. Man graduated from the Hong Kong Baptist University with a degree of Bachelor of Social Science in China Studies (Geography) in November 2008. She further obtained a degree of Master of Applied Science (Environmental Science) from the University of Sydney in Australia in October 2010. Ms. Man was accredited by the Green Business Certificate Institute as a LEED Green Associate in August 2013. She is an associate member of the HKIOA since January 2012, Beam Pro specialist since January 2016, and member of Chartered Institution of Water and Environmental Management since November 2015.

Mr. Chong Hing Cheong (莊慶昌), aged 31, is our senior finance manager and company secretary, responsible for overseeing the overall financial management and company secretarial work of our Group. He joined our Group as an accountant in September 2014. Since Mr. Chong joined our Group, he has also been responsible for company secretarial work of our Group.

Mr. Chong graduated from the City University of Hong Kong with a degree of Bachelor of Business Administration in Finance in November 2008. He further obtained a degree of Bachelor of Business Administration in Accounting from the Open University of Hong Kong in November 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2013.

Corporate Governance Report

Corporate Governance Practices

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 of 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 May Han Grace was appointed as 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. The Board noted that certain Directors might not have been provided with the financial information on a monthly basis from the Listing Date to July 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 has complied with code provision C.1.2 of the CG Code.

Save as disclosed above, during the year ended 31 March 2018 and up to the date of this report, the Group has complied with all the code provisions of the CG Code.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Having been made a specific enquiry by the Company with each of 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 since 1 April 2017 and up to the date of this report.

Board of Directors

During the year ended 31 March 2018 and up to the date of this report, the Board comprised five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Name	Position	Date of appointment
Ms. Kwok May Han Grace	Executive Director Chairman	11 November 2015 11 November 2016
Mr. Wu Dennis Pak Kit	Non-executive Director	16 November 2015
Professor Lam Kin Che	Independent non-executive Director	23 September 2016
Mr. Lie Kong Sang	Independent non-executive Director	23 September 2016
Ms. Wong Yee Lin Elaine	Independent non-executive Director	23 September 2016

Responsibilities, Accountability and Contributions of the Board and Management

The Board's main functions include:

(i) approving the Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of the Group;

(ii) developing and reviewing the Company's policies and practices on corporate governance;

(iii) reviewing the Group's compliance with the CG Code and disclosure in the Corporate Governance Report;

(iv) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and

(v) monitoring the risk management and internal control systems of the Company and reviewing their effectiveness.

Daily business operations and administrative functions of the Group are delegated to the executive Director and the senior management of the Group. The Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the year ended 31 March 2018, four board meetings and one general meeting were held. Details of the attendance of the Directors are as follows:

Directors	Attendance/Number of general meeting entitled to attend	Attendance/Number of Board meetings entitled to attend
Ms. Kwok May Han Grace *(Chairman)*	1/1	4/4
Mr. Wu Dennis Pak Kit	1/1	4/4
Professor Lam Kin Che	1/1	4/4
Mr. Lie Kong Sang	1/1	4/4
Ms. Wong Yee Lin Elaine	1/1	4/4

Appointment, Re-election and Removal of Directors

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. The Company has entered into a service contract with the executive Director for a term of three years commencing from 23 September 2016, subject to the early removal, retirement and re-election provisions in the Articles. The Company has also entered into letters of appointment with the non-executive Director and each of the independent non-executive Directors for a term of three years commencing from 23 September 2016, subject to the early removal, retirement and re-election provisions in the Articles.

Continuous Professional Development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2018, all the Directors had participated in seminars/courses in relation to Director's responsibilities and obligations under the GEM Listing Rules and relevant statues, laws, rules and regulations arranged by accredited service providers.

Independent Non-Executive Directors

The Company has three independent non-executive Directors to comply with Rule 5.05(1) of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Lie Kong Sang has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The Company has also complied with Rule 5.05A of the GEM Listing Rules as the three independent non-executive Directors represent more than one-third of the Board.

In accordance with Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine are independent.

Chairman and Chief Executive

According to 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 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.

Company Secretary

Mr. Chong Hing Cheong has been appointed as the company secretary of the Company (the "Company Secretary") on 10 June 2016. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chong Hing Cheong has taken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2018.

Compliance Officer

Pursuant to Rule 5.19 of the GEM Listing Rules, Ms. Kwok May Han Grace, who is also an executive Director and the chairman of the Board, was appointed as the compliance officer of the Company on 10 June 2016. The biographical details of Ms. Kwok are set out under the section headed "Biographical Details of Directors and Senior Management" of this report.

Directors' Insurance

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31 March 2018.

Board Committees

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Articles as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles).

With the establishment of the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"), the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also established the environmental, social and governance committee (the "ESG Committee") and the risk management committee (the "Risk Management Committee") to review and monitor the Group's specific policies and practices to ensure compliance with the relevant legal and regulatory requirements.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Director. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, board membership, delegation of authority and corporate governance.

Audit Committee

The Board established the Audit Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on both the GEM website and the Company's website. The primary duties of the Audit Committee include (but without limitation):

(i) assisting the Board by providing an independent view of the effectiveness of the financial reporting process;

(ii) making recommendation to the Board on the appointment and removal of external auditors;

(iii) reviewing the Group's financial information and disclosures;

(iv) overseeing the audit process, to develop and review the Group's policies and practices on compliance with legal and regulatory requirements; and

(v) performing other duties and responsibilities as assigned by the Board.

The composition of the Audit Committee during the year ended 31 March 2018 and up to the date of this report is as follows:

Mr. Lie Kong Sang *(Chairman)*
Professor Lam Kin Che
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.

Board Committees (Continued)

Audit Committee (Continued)

Four Audit Committee meetings were held during the year ended 31 March 2018. During the year ended 31 March 2018, the Audit Committee has:

(i) reviewed the unaudited quarterly and interim results;

(ii) reviewed the necessity to establish an internal audit function; and

(iii) monitored the audit and non-audit services rendered to the Group by its auditors and ensure that their engagement in other non-audit services will not impair their audit independence or objectivity.

Apart from the Audit Committee meetings, the independent non-executive Directors have met with its external auditors to discuss matters relating to the Company's audit fees and other issues arising from the audit for year ended 31 March 2018. The attendance record of each member at the Audit Committee meetings is set out as follows:

Directors	Attendance/Number of Audit Committee meetings entitled to attend
Professor Lam Kin Che *(Independent non-executive Director)*	4/4
Mr. Lie Kong Sang *(Independent non-executive Director)*	4/4
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	4/4

Remuneration Committee

The Board established the Remuneration Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Remuneration Committee are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee include (but without limitation):

(i) making recommendations to the Directors regarding the Group's policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

(ii) making recommendations to the Board on the remuneration packages of the individual executive Director and senior management;

(iii) reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives; and

(iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

The composition of the Remuneration Committee during the year ended 31 March 2018 and up to the date of this report is as follows:

Ms. Wong Yee Lin Elaine *(Chairman)*
Mr. Lie Kong Sang
Professor Lam Kin Che
Mr. Wu Dennis Pak Kit

Board Committees (Continued)

Remuneration Committee (Continued)

One Remuneration Committee meeting was held during the year ended 31 March 2018. The Remuneration Committee reviewed the policy for the remuneration of all the Directors, accessed the performance of the executive Director and approved the terms of the executive Director's service contract for the year ended 31 March 2018. The remuneration committee also made recommendations to the Board on the remuneration packages of the individual executive Director and senior management for the year ended 31 March 2018. The attendance record of each member at the Remuneration Committee meetings is as follows:

Directors	**Attendance/Number of Remuneration Committee meetings entitled to attend**
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	1/1
Mr. Lie Kong Sang *(Independent non-executive Director)*	1/1
Professor Lam Kin Che *(Independent non-executive Director)*	1/1
Mr. Wu Dennis Pak Kit *(Non-executive Director)*	1/1

Nomination Committee

The Board established the Nomination Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Nomination Committee are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee include (but without limitation):

(i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) assessing the independence of independent non-executive Directors; and

(iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman.

The composition of the Nomination Committee during the year ended 31 March 2018 and up to the date of this report is as follows:

Ms. Kwok May Han Grace *(Chairman)*
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine
Professor Lam Kin Che

Board Committees (Continued)

Nomination Committee (Continued)

One Nomination Committee meeting was held during the year ended 31 March 2018. The Nomination Committee determined the policies for the nomination of directors, including the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year ended 31 March 2018. It also reviewed the Company's policies concerning board diversity for the year ended 31 March 2018. The attendance record of each member at the Nomination Committee meeting is as follows:

Directors	Attendance/Number of Nomination Committee meeting entitled to attend
Ms. Kwok May Han Grace *(Executive Director)*	1/1
Mr. Lie Kong Sang *(Independent non-executive Director)*	1/1
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	1/1
Professor Lam Kin Che *(Independent non-executive Director)*	1/1

Board Diversity Policy

The Company recognises and embraces the benefits of having a Board with diversified skills, talents and experiences, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the policy, the Nomination Committee seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industrial experience, background, gender and other qualities of the members of the Board. These factors will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination Committee will consider the balance of talents, skills, experience, independence and knowledge on the Board and the diversity representation of the Board.

Board Committees (Continued)

Nomination Committee (Continued)

Measurable objectives

The Nomination Committee discusses annually the measurable objectives for achieving diversity of the Board and recommends them to the Board for adoption. The Board will consider such recommendation and may seek to improve the diversity of the board composition.

Monitoring and reporting

The Nomination Committee and the Board monitor the progress of the improvement measures on an annual basis and make relevant disclosure in the corporate governance reports of the Company on the process the Board has used in relation to Board appointments.

Reviewing the policy

The Nomination Committee will review the design, implementation and the effectiveness of the policy in its annual meeting on board diversity policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

ESG Committee

The Board established the ESG Committee on 23 September 2016. The terms of reference of the ESG Committee are available on both the GEM website and the Company's website. The primary function of the ESG Committee is to report and advise the Board on matters relating to environmental protection, social responsibility and corporate governance of the Group.

The composition of the ESG Committee during the year ended 31 March 2018 and up to the date of this report is as follows:

Ms. Kwok May Han Grace *(Chairman)*
Mr. Wu Dennis Pak Kit
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine
Professor Lam Kin Che

Two ESG Committee meetings were held during the year ended 31 March 2018. The attendance record of each members at the ESG Committee meetings is as follows:

Directors	Attendance/Number of ESG Committee meeting entitled to attend
Ms. Kwok May Han Grace *(Executive Director)*	2/2
Mr. Wu Dennis Pak Kit *(Non-executive Director)*	2/2
Mr. Lie Kong Sang *(Independent non-executive Director)*	2/2
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	2/2
Professor Lam Kin Che *(Independent non-executive Director)*	2/2

Board Committees (Continued)

Risk Management Committee

The Board established the Risk Management Committee on 23 September 2016. The terms of reference of the Risk Management Committee are available on both the GEM website and the Company's website. The primary duties of the Risk Management Committee include (but without limitation):

(i) considering the necessity of an internal audit function of the Group;

(ii) evaluating and determining the nature and extent of the significant risks face by the Group;

(iii) making recommendations to the Board on the Group's risk management and internal control systems; and

(iv) overseeing the Group's risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group.

The composition of the Risk Management Committee during the year ended 31 March 2018 and up to the date of this report is as follows:

Ms. Kwok May Han Grace *(Chairman)*
Mr. Wu Dennis Pak Kit
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine
Professor Lam Kin Che

One Risk Management Committee meeting was held during the year ended 31 March 2018. The Risk Management Committee has identified the risks faced by the Group and discussed the designs of the risk management and internal control systems for the year ended 31 March 2018. The committee also reviewed the adequacy of resources, qualifications and experience of the Group's staff in implementing the risk management and internal control systems for the year ended 31 March 2018. The attendance record of each members at the Risk Management Committee meeting is as follows:

Directors	**Attendance/Number of Risk Management Committee meeting entitled to attend**
Ms. Kwok May Han Grace *(Executive Director)*	1/1
Mr. Wu Dennis Pak Kit *(Non-executive Director)*	1/1
Mr. Lie Kong Sang *(Independent non-executive Director)*	1/1
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	1/1
Professor Lam Kin Che *(Independent non-executive Director)*	1/1

Corporate Governance Function

During the year ended 31 March 2018 and up to the date of this report, the Board has reviewed the corporate governance practices of the Company by reference to the CG Code as set out in Appendix 15 of the GEM Listing Rules. The summary of their work is as follows:

(i) reviewed the Company's policies and practices on corporate governance and make recommendations;

(ii) reviewed and monitored the training and continuous development of Directors and senior management of the Group;

(iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and

(v) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

Accountability and Audit

The Board acknowledges its responsibility for the preparation of the Company's consolidated financial statements for the year ended 31 March 2018 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor about their reporting responsibilities is set out in the independent auditor's report on pages 47 to 50 of the consolidated financial statements of this report.

External Auditors' Remuneration

During the year ended 31 March 2018, the Company engaged KPMG as the external auditors. The fee in respect of audit services provided by KPMG for the year ended 31 March 2018 amounted to HK$1,050,000.

The Audit Committee has expressed its view to the Board that the level of fees paid/payable by the Company to the Company's external auditors for annual audit services is reasonable. There has been no disagreement between the auditors and the management of the Company during the year ended 31 March 2018.

Emolument Payable to Senior Management

The emoluments payable to the seven (31 March 2017: eight) members of senior management during the year ended 31 March 2018 fell within the band of HK$Nil to HK$1,000,000.

Risk Management and Internal Control Systems

The Board is responsible for monitoring the risk management and internal control systems of the Company and reviewing their effectiveness. These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Assisted by the Risk Management Committee, the Board evaluates and determines the nature and extent of significant risks it is willing to take in achieving the Company's strategic objectives. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal control systems. Procedures have been designed and implemented to safeguard the Company's assets against unauthorised use or disposal, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication and ensure the Company's compliance with applicable laws, rules and regulations. The Board also ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

To ensure the effectiveness of the risk management and internal control systems, the Board requests the management to facilitate each of the departments of the Company to identify major risk events in the field it operates and assess the possibility of occurrence and influence of these risk events to the Company. Each department also prepares solutions and mitigation measures to deal with the possible risk events to the management. The management gathers the information from each of the departments and provide confirmations and feedbacks to the Board on the effectiveness of the risk management and internal control system. Based on the information from the management, the Board conducted an annual review on the effectiveness of the Company's risk management and internal control systems for the year ended 31 March 2018.

Further, the Group has engaged an independent consulting firm (the "Consultant") to conduct a thorough compliance review (non-financial reporting) of the Group for the year ended 31 March 2018. The Consultant reported to the Risk Management Committee and the Risk Management Committee was satisfied that there had been no major deficiency noted in the areas of the Group's Corporate Governance and Compliance Management (based on Appendix 15 of the GEM Listing Rules) being reviewed after implementation of the recommendations of the Consultant with regard to internal control defects. The Board concluded that the risk management and internal control systems of the Company were adequate and effective during the year ended 31 March 2018.

The Company does not have an internal audit function as the Board presently considers that the size, nature and complexity of the Group's business does not require such function.

With respect of procedures and internal controls of the handling and dissemination of inside information, the Company is fully aware of its obligation under Part XIVA of the SFO and the GEM Listing Rules. The Board has adopted a policy which contains the guidelines of the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

Disclosure of Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the GEM Listing Rules and the SFO. The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the GEM and the Company on a timely basis to enable the public, shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information falls within the safe harbours under the SFO. Briefing and training on the implementation of the disclosure policy have been provided to Directors, officers and senior management of the Group. In addition, the relevant policy has been uploaded to the intranet of the Company for easy access by all employees.

Communication with Shareholders and Investors

The Company regards high quality reporting as an essential element in building successful relationships with its Shareholders. The Company always endeavours to provide relevant information to existing and potential investors to enhance transparency and communications with Shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and management of risk are made through various channels:

- the Company's annual general meeting and extraordinary general meetings;
- quarterly, interim and annual results announcements published on the respective websites of the Company and the Stock Exchange;
- quarterly, interim and annual reports of the Company delivered to all Shareholders;
- timely update of the respective websites of the Stock Exchange and the Company;
- circulars and other corporate communications to Shareholders; and
- announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.asecg.com where the Company's announcements, circulars, notices of general meetings, financial reports, business developments, press releases and other information are posted.

Shareholders' Rights

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the mandatory disclosure requirements:

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary at 19/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Rights (Continued)

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by mail, facsimile or email:

Address	:	19/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong
Facsimile no.	:	2815 5399
Email	:	ir@aechk.com

Shareholders may also make enquiries with the Board at the general meetings of the Company or through the online information request form on the website of the Company at www.asecg.com.

Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 March 2018.

Independent Auditor's Report

Independent auditor's report
To the shareholders of Allied Sustainability and Environmental Consultants Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Allied Sustainability and Environmental Consultants Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 51 to 89, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Revenue recognition

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 72-73.

The Key Audit Matter

The Group recorded revenue from the provision of environmental and sustainability consultancy services of HK$30,537,000 for the year ended 31 March 2018.

Revenue and profit from the provision of consultancy services is recognised with reference to contract costs incurred at the reporting date for work performed as a percentage of total forecast contract costs.

The recognition of revenue and profit therefore relies on management's estimation of the final outcome of each contract which can involve the exercise of significant management judgement, particularly in forecasting costs to complete a contract, in considering claims and the valuation of variation orders and in considering the ability of the Group to deliver services according to the agreed timetables.

We identified revenue recognition as a key audit matter because of the significance of contract revenue to the consolidated financial statements and because the assessment of contract progress requires the exercise of significant management judgement, particularly in relation to the estimation of total forecast contract costs which is inherently subjective and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the revenue and profit recognition processes;
- discussing with the Group management and project directors the performance of contracts, on a sample basis, and challenging the key estimates and assumptions adopted in the contract forecasts, including estimated costs to complete each contract and the recognition of claims and variation orders, by obtaining and assessing information underlying the assumptions adopted, including contract agreements, sub-contracts, correspondence with customers regarding project progress and documentation relating to contract variations and claims, and by considering historical outcomes for similar contracts;
- recalculating the amount of revenue recognised for individual contracts, on a sample basis, based on the agreed contract sum (plus recognised variation orders, if any), total estimated costs and actual costs incurred up to the reporting date;
- inspecting, on a sample basis, underlying documents in respect of actual costs incurred during the year ended 31 March 2018;
- inspecting a sample of contract agreements with customers and sub-contractors to identify key terms and conditions and evaluating whether these key terms and conditions have been appropriately reflected in the contract forecasts and the corresponding amounts recognised in the consolidated financial statements;
- performing a retrospective review of the estimations of costs to complete contracts by comparing the costs incurred for contracts completed in the current year with the estimates of such costs as at 31 March 2017 to assess the reliability of management's forecasting process;
- inspecting underlying documentation for manual journal entries relating to revenue raised during the year which met other specific risk-based criteria.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit, Roy.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Revenue	7	**30,537**	35,096
Cost of services provided		**(17,563)**	(15,671)
Gross profit		**12,974**	19,425
Other income and gains		**121**	96
Administrative expenses		**(17,210)**	(11,691)
Finance costs	8	**(69)**	–
Other expenses		**(242)**	(148)
Listing expenses		**–**	(12,480)
Loss before tax	9	**(4,426)**	(4,798)
Income tax credit/(expenses)	12	**331**	(1,290)
Loss for the year wholly attributable to owners of the Company		**(4,095)**	(6,088)
Other comprehensive 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	13	**(259)**	(151)
Total comprehensive income for the year wholly attributable to owners of the Company		**(4,354)**	(6,239)
Basic loss per share (cents)	14	**(0.35)**	(0.56)

The notes on pages 56 to 89 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment	15	**886**	1,205
Prepayments for intangible assets		**160**	97
Available-for-sale financial assets	16	**7,626**	1,897
Deferred tax assets	25	**345**	–
		9,017	3,199
Current assets			
Contract assets	17	**33,629**	29,460
Accounts receivable	18	**10,499**	9,613
Prepayments, deposits and other receivables	19	**5,840**	3,760
Current tax recoverable		**781**	–
Pledged deposits	20(c)	**5,018**	–
Cash and cash equivalents	20(a)	**31,389**	39,062
Total current assets		**87,156**	81,895
Current liabilities			
Accounts payable	21	**43**	243
Other payables and accruals	22	**5,489**	1,296
Bank loans and overdrafts	23	**7,636**	–
Amount due to a related party	24	**4,526**	–
Contract liabilities	17	**780**	159
Current tax payable		**144**	1,376
Total current liabilities		**18,618**	3,074
Net current assets		**68,538**	78,821
Total assets less current liabilities		**77,555**	82,020
Non-current liabilities			
Deferred tax liabilities	25	**–**	111
Net assets		**77,555**	81,909
Equity			
Issued capital	26	**12,000**	12,000
Reserves		**65,555**	69,909
Total equity		**77,555**	81,909

Approved and authorised for issue by the board of directors on 25 June 2018.

KWOK May Han, Grace
Director

WU Dennis Pak Kit
Director

The notes on pages 56 to 89 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

		Wholly attributable to owners of the Company					
	Note	Issued capital $'000	Other reserve $'000	Revaluation reserve $'000	Shares held under share award scheme $'000	Retained profits $'000	Total equity $'000
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	26	2,040	55,080	–	–	–	57,120
Capitalisation issue of shares	26	9,960	(9,960)	–	–	–	–
Transaction costs directly attributable to issue of shares		–	(5,866)	–	–	–	(5,866)
Arising from group reorganisation	26	(424)	424	–	–	–	–
Dividends	28	–	–	–	–	(2,800)	(2,800)
Purchase of shares under share award scheme	27	–	–	–	(4,099)	–	(4,099)
At 31 March 2017		12,000	61,102	(151)	(4,099)	13,057	81,909
At 1 April 2017		12,000	61,102	(151)	(4,099)	13,057	81,909
Loss for the year		–	–	–	–	(4,095)	(4,095)
Other comprehensive income		–	–	(259)	–	–	(259)
Total comprehensive income		–	–	(259)	–	(4,095)	(4,354)
At 31 March 2018		12,000	61,102	(410)	(4,099)	8,962	77,555

The notes on pages 56 to 89 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2018 $'000	2017 $'000	2017 $'000
Cash flows used in operating activities					
Loss before tax		**(4,426)**		(4,798)	
Adjustments for:					
Finance costs	8	**69**		–	
Depreciation	9	**443**		301	
Gain on disposal of items of property, plant and equipment	9	**–**		(8)	
Gain on disposal of available-for-sale-financial assets		**(82)**		–	
Impairment of accounts receivable	9	**424**		273	
Write-back of impairment of accounts receivable	9	**(182)**		(125)	
		(3,754)		(4,357)	
Increase in contract assets		**(4,169)**		(12,062)	
Increase in accounts receivable		**(1,128)**		(341)	
(Increase)/decrease in prepayments, deposits and other receivables		**(2,080)**		2,443	
Decrease in accounts payable		**(200)**		(66)	
Increase/(decrease) in other payables and accruals		**4,193**		(3,106)	
Increase/(decrease) in contract liabilities		**621**		(517)	
Cash used in operations		**(6,517)**		(18,006)	
Hong Kong Profits Tax paid		**(2,130)**		(3,612)	
The People's Republic of China ("PRC") Income Tax paid		**(8)**		(7)	
Net cash used in operating activities			**(8,655)**		(21,625)
Cash flows used in investing activities					
Additions of items of property, plant and equipment		**(124)**		(1,256)	
Proceeds from sale of property, plant and equipment		**–**		8	
Increase in prepayments for acquisition of intangible assets		**(63)**		(97)	
Payment for purchase of available-for-sale financial assets		**(8,779)**		(2,048)	
Proceeds from disposal of available-for-sale financial assets		**2,873**		–	
Net cash used in investing activities			**(6,093)**		(3,393)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2018 $'000	2017 $'000	2017 $'000
Cash flows generated from financing activities					
Proceeds from new bank loans	20(b)	5,107		–	
Proceeds from amount due to a related party	20(b)	4,526		–	
Repayment of bank loans	20(b)	(798)		–	
Increase in pledged deposits		(5,018)		–	
Payment of expenses relating to placing of shares		–		(4,984)	
Proceeds from issue of shares		–		57,120	
Payment for purchase of shares under share award scheme		–		(4,099)	
Interest paid		(69)		–	
Dividends paid		–		(2,800)	
Net cash generated from financing activities			3,748		45,237
Net (decrease)/increase in cash and cash equivalents			(11,000)		20,219
Cash and cash equivalents at beginning of the year	20(a)		39,062		18,843
Cash and cash equivalents at end of the year	20(a)		28,062		39,062
Analysis of balances of cash and cash equivalents					
Cash and bank balances	20(a)		31,389		39,062
Bank overdrafts	23		(3,327)		–
			28,062		39,062

The notes on pages 56 to 89 form part of these financial statements.

(Expressed in Hong Kong dollars)

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 2018, 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 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 company	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
AECI Green Technology Company Limited	Hong Kong	HK$10,000	–	100%	Provision of consultancy services
AEC Lifa Air International Limited	BVI	HK$10,000	–	100%	Provision of consultancy services
AEC LP Limited	Hong Kong	HK$10,000	–	100%	Provision of consultancy services

2.1 Statement of Compliance

These 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these has impact on the accounting policies of the Group. However, additional disclosure has been included in note 20(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 of the Financial Statements

The financial statements for the year ended 31 March 2018 comprise the Company and its subsidiaries (the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the available-for-sale financial assets are stated at their fair value as explained in the accounting policy set out in note 4.

This consolidated financial statements are presented in thousands of Hong Kong dollars ("$'000"), unless otherwise stated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in note 5.

(Expressed in Hong Kong dollars)

3 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2018

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 2018 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
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
HK (IFRIC) 22, *Foreign currency translations and advance consideration*	1 January 2019
HK (IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. The actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's annual report for the year ending 31 March 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial report.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 April 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018.

3 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2018 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairment on that security will be recognised in other comprehensive income without recycling.

The Group has assessed its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities for which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 April 2018 and will instead recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in note 4. This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of HKFRS 9, fair value loss of $410,000 related to the available-for-sale financial assets will be transferred from the fair value reserve to retained profits at 1 April 2018.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's accounts receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

3 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2018 (Continued)

HKFRS 16, Leases

The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 29, at 31 March 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to $4,606,000. Some of the amount may need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

4 Summary of Significant Accounting Policies (Continued)

Subsidiaries (Continued)

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, the recoverable amount of property, plant and equipment is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

4 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

– Furniture, fixtures and office equipment	25 to $33^1/_3$%
– Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Available-for-sale financial assets are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the revaluation reserve until the investment is derecognised or impaired, at which time the cumulative gain or loss recognised is reclassified from the revaluation reserve to profit or loss as other gains or losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

Financial assets classified as available-for-sale securities

Available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. If any such evidence exists, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

4 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables and accruals.

Subsequent measurement

Loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4 Summary of Significant Accounting Policies (Continued)

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. "Control" refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from an asset.

Revenue is recognised progressively based on the contract costs incurred to date as a percentage of total forecast costs to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress towards complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its consolidated statement of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group.

Any unconditional rights to consideration are presented separately as "Accounts receivable".

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

Employee benefits

Share award scheme

The Group operates a share award scheme for the purposes of providing the selected participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Group and provide additional incentive for them to achieve performance goals with a view to achieve the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the shareholders of the Company through ownership of shares.

Shares held under share award scheme

The shares held under share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from total equity.

4 Summary of Significant Accounting Policies (Continued)

Employee benefits (Continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in these financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5 Significant Accounting Estimates

The preparation of these financial statements requires 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 could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation 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

As further explained in note 4 to these financial statements, 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.

6 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) Acoustic, 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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss 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.

6 Segment Information (Continued)

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	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Segment revenue:										
Revenue										
Hong Kong	**15,962**	18,036	**9,350**	8,222	**2,139**	2,768	**2,457**	3,718	**29,908**	32,744
Mainland China	**97**	374	**110**	272	**303**	1,139	**–**	–	**510**	1,785
Macau	**34**	80	**–**	390	**85**	97	**–**	–	**119**	567
	16,093	18,490	**9,460**	8,884	**2,527**	4,004	**2,457**	3,718	**30,537**	35,096
Segment results	**6,992**	10,865	**4,314**	4,697	**152**	1,450	**1,274**	2,265	**12,732**	19,277
Reconciliation										
Unallocated income									**121**	96
Unallocated expenses:										
– Listing expenses									**–**	(12,480)
– Others									**(17,210)**	(11,691)
Finance costs									**(69)**	–
Loss before tax									**(4,426)**	(4,798)
Segment assets	**26,520**	24,069	**11,768**	8,671	**5,136**	5,476	**2,117**	2,404	**45,541**	40,620
Reconciliation										
Unallocated assets									**50,632**	44,474
Total assets									**96,173**	85,094
Segment liabilities	**631**	119	**145**	275	**47**	8	**–**	–	**823**	402
Reconciliation										
Unallocated liabilities									**17,795**	2,783
Total liabilities									**18,618**	3,185
Other segment information										
Impairment of accounts receivable	**424**	55	**–**	135	**–**	83	**–**	–	**424**	273
Write-back of impairment of accounts receivable	**(47)**	–	**(135)**	(125)	**–**	–	**–**	–	**(182)**	(125)
Unallocated:										
– Depreciation									**443**	301
– Capital expenditure*									**124**	1,256

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

6 Segment Information (Continued)

(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 2017 and 2018.

(b) Information about major customers

No revenue from a single external customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2017 and 2018.

7 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 6 to these financial statements.

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 2018 and 2017.

	2018 $'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 March 2019	21,471
31 March 2020	10,721
After 31 March 2020	4,579
	36,771

7 Revenue (Continued)

Remaining performance obligations (Continued)

	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

8 Finance Costs

	2018 $'000	2017 $'000
Interest on bank loans and overdrafts	**69**	–

9 Loss Before Tax

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

	2018 $'000	2017 $'000
Depreciation	**443**	301
Auditors' remuneration		
– Audit services	**1,025**	976
Employee benefit expense: (including director's emoluments (note 10))		
– Wages and salaries	**19,783**	16,157
– Pension scheme contributions (defined contribution scheme)	**738**	506
	20,521	16,663
Impairment of accounts receivable* (note 18)	**424**	273
Write-back of impairment of accounts receivable*	**(182)**	(125)
Minimum lease payments under operating leases for land and buildings	**3,666**	2,976
Gain on disposal of available-for-sale financial assets	**(82)**	–
Gain on disposal of items of property, plant and equipment	**–**	(8)
Net foreign exchange loss	**62**	4

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

10 Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2018 Total $'000
Chairman					
Ms. KWOK May Han, Grace	–	1,699	300	18	2,017
Non-executive director					
Mr. WU Dennis Pak Kit	252	–	–	–	252
Independent non-executive directors					
Mr. LIE Kong Sang	126	–	–	–	126
Ms. WONG Yee Lin Elaine	126	–	–	–	126
Professor LAM Kin Che	126	–	–	–	126
	630	1,699	300	18	2,647

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2017 Total $'000
Chairman					
Ms. KWOK May Han, Grace	–	1,536	59	18	1,613
Non-executive director					
Mr. WU Dennis Pak Kit	120	–	–	–	120
Independent non-executive directors					
Mr. LIE Kong Sang	60	–	–	–	60
Ms. WONG Yee Lin Elaine	60	–	–	–	60
Professor LAM Kin Che	60	–	–	–	60
	300	1,536	59	18	1,913

11 Five Highest Paid Employees

One (31 March 2017: one) of the five highest paid individuals was a director of the Company for the year ended 31 March 2018. Details of her remuneration are set out in note 10 to these financial statements. Details of the remuneration of the remaining four (31 March 2017: four) non-director highest paid employees for the year ended 31 March 2018 are as follows:

	2018 **$'000**	2017 $'000
Salaries, allowances and benefits in kind	**2,878**	2,723
Discretionary performance-related bonuses	**228**	108
Pension scheme contributions	**72**	72
	3,178	2,903

The remuneration of the four (31 March 2017: four) non-director highest paid employees for the year ended 31 March 2018 fell within the band of $Nil to $1,000,000.

During the years ended 31 March 2018 and 2017, no remuneration was paid by the Group to any of the non-director highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12 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 2018 and 2017. 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 2018 and 2017.

	2018 **$'000**	2017 $'000
Current – Hong Kong		
Charge for the year	**–**	1,196
Under/(over)-provision in respect of prior year	**131**	(53)
	131	1,143
Current – PRC		
(Credit)/charge for the year	**(6)**	51
Deferred tax (note 25)	**(456)**	96
Total tax (credit)/charge for the year	**(331)**	1,290

12 Income Tax (Continued)

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

	2018 $'000	2017 $'000
Loss before tax	**(4,426)**	(4,798)
Notional tax at the rates applicable to losses in the relevant tax jurisdictions	**(642)**	(792)
Income not subject to tax	**(7)**	(55)
Expenses not deductible for tax	**193**	2,139
Effect of CIT on PRC service income	**(6)**	51
Under/(over)-provision in respect of prior year	**131**	(53)
Tax (credit)/charge at the effective rate	**(331)**	1,290

13 Other Comprehensive Income

Components of other comprehensive income

	2018 $'000	2017 $'000
Available-for-sale financial assets:		
Change in fair value recognised during the period	**177**	151
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	**82**	–
Net movement in the fair value reserve during the period recognised in other comprehensive income	**259**	151

There is no tax effect relating to the net movement of available-for-sale financial assets for the year ended 31 March 2018 and 2017.

14 Loss Per Share Attributable to Owners of the Company for the Year

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

	2018 $'000	2017 $'000
Loss		
Loss for the year attributable to owners of the Company	**(4,095)**	(6,088)
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	**1,184,000,000**	1,086,498,630

No diluted loss per share for the years was presented as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2018 and 2017.

15 Property, Plant and Equipment

	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
At 1 April 2016			
Cost	2,431	1,129	3,560
Accumulated depreciation	(2,181)	(1,129)	(3,310)
Net carrying amount	250	–	250
At 1 April 2016, net of accumulated depreciation	250	–	250
Additions	1,000	256	1,256
Depreciation provided during the year	(280)	(21)	(301)
At 31 March 2017, net of accumulated depreciation	970	235	1,205
At 31 March 2017			
Cost	3,431	1,385	4,816
Accumulated depreciation	(2,461)	(1,150)	(3,611)
Net carrying amount	970	235	1,205
At 1 April 2017			
Cost	3,431	256	3,687
Accumulated depreciation	(2,461)	(21)	(2,482)
Net carrying amount	970	235	1,205
At 1 April 2017, net of accumulated depreciation	970	235	1,205
Additions	124	–	124
Depreciation provided during the year	(379)	(64)	(443)
At 31 March 2018, net of accumulated depreciation	715	171	886
At 31 March 2018			
Cost	3,555	256	3,811
Accumulated depreciation	(2,840)	(85)	(2,925)
Net carrying amount	715	171	886

16 Available-for-sale Financial Assets

	2018 $'000	2017 $'000
Listed equity securities at fair value (note 33)		
– Listed in Hong Kong	**7,626**	1,897

Listed equity securities as at 31 March 2018 represent investments in ordinary shares of Sanbase Corporation Limited which is listed in Hong Kong.

17 Contract balances

	2018 $'000	2017 $'000
Contract assets	**33,629**	29,460
Contract liabilities	**(780)**	(159)
	32,849	29,301
Contract costs incurred plus recognised profits less recognised losses to date	**93,973**	75,952
Less: Progress billings	**(61,124)**	(46,651)
	32,849	29,301

The amount of revenue recognised during the year ended 31 March 2018 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of the stage of completion, is $1,689,000 (31 March 2017: $1,256,000).

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

17 Contract balances (Continued)

Movement in the contract assets and the contract liabilities balances during the year are as follows:

	2018		2017	
	Contract assets $'000	Contract liabilities $'000	Contract assets $'000	Contract liabilities $'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	78	–	635
Transfers from contract assets recognised at the beginning of the year to receivables	(14,780)	–	(9,612)	–

18 Accounts Receivable

	2018 $'000	2017 $'000
Accounts receivable	12,323	11,195
Impairment	(1,824)	(1,582)
	10,499	9,613

Accounts receivable represent receivables for contract works. Accounts receivable are due within 0 to 60 days from the date of billing. The Group maintains active and regular control over its outstanding receivables to minimise credit risk. 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 the reporting period, based on the invoice date and net of impairment provisions, is as follows:

	2018 $'000	2017 $'000
Within 1 month	2,999	734
Over 1 month but less than 3 months	3,546	2,825
Over 3 months but less than 6 months	987	1,007
Over 6 months but less than 12 months	1,103	2,590
Over 12 months but less than 24 months	832	1,834
Over 24 months	1,032	623
	10,499	9,613

18 Accounts Receivable (Continued)

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

	2018 $'000	2017 $'000
At the beginning of the year	**1,582**	1,434
Impairment losses recognised (note 9)	**424**	273
Write-back of impairment (note 9)	**(182)**	(125)
At the end of the year	**1,824**	1,582

At 31 March 2018, accounts receivable of $2,347,000 (2017: $1,582,000) were individually determined to be impaired. The individually impaired receivables were related to long overdue amounts and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $1,824,000 (2017: $1,582,000) were recognised.

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

	2018 $'000	2017 $'000
Neither past due nor impaired	**2,999**	734
Less than 1 month past due	**1,176**	1,499
1 to 3 months past due	**2,814**	1,326
4 to 6 months past due	**933**	1,370
Over 6 months past due	**2,054**	4,684
	9,976	9,613

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.

19 Prepayments, Deposits and Other Receivables

	2018 **$'000**	2017 $'000
Prepayments	**3,338**	1,516
Deposits and other receivables	**2,502**	2,244
	5,840	3,760

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20 Cash and Cash Equivalents

(a) Cash and cash equivalents comprise:

	2018 **$'000**	2017 $'000
Cash and bank balances and cash and cash equivalents in the consolidated statement of financial position	**31,389**	39,062
Bank overdrafts (note 23)	**(3,327)**	–
Cash and cash equivalents in the consolidated statement of cash flows	**28,062**	39,062

Cash at banks earns interest at floating rates based on daily bank deposit rates.

20 Cash and Cash Equivalents (Continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Amount due to a related party $'000 (Note 24)	**Bank loans** $'000 (Note 23)	**Total** $'000
At 1 April 2017	–	–	–
Changes from financing cash flows:			
Proceeds from new bank loans	–	5,107	5,107
Proceeds from amount due to a related party	4,526	–	4,526
Repayment of bank loans	–	(798)	(798)
Interest paid	–	(69)	(69)
Total changes from financing cash flows	4,526	4,240	8,766
Other change:			
Interest expenses (note 8)	–	69	69
Total other change	–	69	69
At 31 March 2018	4,526	4,309	8,835

(c) Pledged deposits

The balance represents deposits pledged to secure the banking facilities (note 23).

21 Accounts Payable

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

	2018 **$'000**	2017 $'000
Over 6 months	**43**	243

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

22 Other Payables and Accruals

	2018 $'000	2017 $'000
Accruals	**2,430**	1,004
Other payables	**191**	292
Advances received (note)	**2,868**	–
	5,489	1,296

Note: Advances received represented the deposits received from Sanbase Corporation Limited for potential consultancy services.

23 Bank loans and overdrafts

At 31 March 2018, the bank loans and overdrafts were repayable as follows:

	2018 $'000	2017 $'000
Within 1 year or on demand	**7,636**	–

At 31 March 2018, the bank loans and overdrafts were secured as follows:

	2018 $'000	2017 $'000
Secured bank overdrafts (note 20(a))	**3,327**	–
Secured bank loans	**4,309**	–
	7,636	–

At 31 March 2018, the banking facilities of the Group were secured by corporate guarantees provided by the Company and the pledge of the Group's bank deposits of $5,018,000 (2017: $Nil). Such banking facilities amounted to $10,107,000 (2017: $Nil). The facilities were utilised to the extent of $7,636,000 (2017: $Nil).

24 Amount due to a related party

The amount due to a related party as unsecured, interest-free and repayable on demand. The entity is controlled by Mr. Wu Dennis Pak Kit, a director of the Company.

25 Deferred Tax

The movements of deferred tax assets/(liabilities) during the year are as follows:

	Future benefits of tax losses $'000	Depreciation allowance in excess of related depreciation $'000	Total $'000
At 1 April 2016	–	(15)	(15)
Charged to profit or loss (note 12)	–	(96)	(96)
At 31 March 2017 and 1 April 2017	–	(111)	(111)
Credited to profit or loss (note 12)	410	46	456
At 31 March 2018	410	(65)	345

26 Issued Capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 November 2015 with authorised share capital of $100,000 divided into 10,000,000 ordinary shares of $0.01 each.

The issued share capital in the consolidated statement of financial position at 1 April 2015 and 31 March 2016 represented issued and fully paid shares of AEC BVI, which was the holding company of the Group's business.

On 22 September 2016, the companies now comprising the Group completed the reorganisation arrangements the Company has undergone in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") (the "Reorganisation"). The Company issued 9,999 shares of $0.01 each to the shareholders of AEC BVI in consideration for all their respective equity interests in AEC BVI.

Pursuant to resolutions in writing of the shareholders of the Company passed on 23 September 2016, the Company's authorised share capital was increased from $100,000 divided into 10,000,000 shares of $0.01 each to $50,000,000 divided into 5,000,000,000 shares of $0.01 each by the creation of an additional 4,990,000,000 shares.

The shares of the Company were listed on GEM on 17 October 2016 (the "Listing Date"). On the same date, 995,990,000 of the Company's new shares were issued through capitalisation of $9,960,000 standing to the credit of share premium account of the Company. Further, 204,000,000 shares of the Company were issued at a placing price of $0.28 per share. Since then, the share capital represented 1,200,000,000 shares of the Company at $0.01 each.

The reconciliation between the opening and closing balances of the Company's issued capital is set out below:

	2018		2017	
	No. of shares	**$'000**	No. of shares	$'000
Ordinary shares of $0.01 each, issued and fully paid:				
At 1 April	**1,200,000,000**	**12,000**	1	–
Issue of shares in respect of the Reorganisation	–	–	9,999	–
Capitalisation issue of shares	–	–	995,990,000	9,960
Issue of shares	–	–	204,000,000	2,040
At 31 March	**1,200,000,000**	**12,000**	1,200,000,000	12,000

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27 Reserves

Other reserve comprises the share premium account of the Company, and the excess of the consideration for issuance of shares of AEC BVI over their nominal value, net of the excess of the nominal value of shares of AEC BVI over the nominal value of shares of AEC Hong Kong exchanged as part of the Reorganisation.

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4.

The shares held under share award scheme represents the aggregate price paid for 16,000,000 shares of the Company for the purpose of the Share Award Scheme (the "Scheme").

The Company adopted the Scheme on 8 February 2017. Pursuant to the rules of the Scheme, the Company has set up a trust, and BOCI-Prudential Trustee Limited (the "Trust") acted as the trustee. The Company's shares may be purchased by the Trustee from the Group and be held in trust for the selected participants until such shares are vested. During the year ended 31 March 2018, no shares were granted to any participants.

28 Dividend

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

The Board of directors has resolved not to declare the payment of a dividend in respect of the years ended 31 March 2018 and 2017.

29 Operating Lease Arrangements

The Group leases its office properties under operating lease arrangements. The leases typically run for an initial period of one to four years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 $'000	2017 $'000
Within one year	**3,336**	1,186
In the second to fifth year, inclusive	**1,270**	–
	4,606	1,186

30 Capital Commitments

At 31 March 2018, the Group had the following capital commitments in relation to the purchase of intangible assets not provided for in the financial statements:

	2018 $'000	2017 $'000
Contracted for	**63**	136

31 Related Party Transactions

In addition to transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

The compensation of key management personnel of the Group for the years ended 31 March 2018 and 2017 represented the directors' emoluments as disclosed in note 10 to these financial statements.

32 Financial Instruments by Category

As at 31 March 2017 and 2018, all the financial assets and liabilities of the Group were loans and receivables and financial liabilities at amortised cost, respectively, except for the available-for-sale financial assets which have been measured at fair value.

33 Fair Value and Fair Value Hierarchy of Financial Instruments

The fair value measurement of the listed available-for-sale financial assets measured at the end of the reporting period on a recurring basis is categorised into Level 1 of the fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. Management has assessed that the fair values of accounts receivable, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, accounts payable and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

During the years ended 31 March 2017 and 2018, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

34 Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group is also exposed to equity price risk arising from investments in equity securities. The risks associated with financial instruments and the policies on how to mitigate these risks are described below.

Management monitors closely the Group's exposures to financial risks to ensure that appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not hold any collateral over these receivable balances.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There are no significant concentrations of credit risk within the Group as the customer base of the Group is widely diversified.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 18 and 19, respectively, to these financial statements.

34 Financial Risk Management Objectives and Policies (Continued)

(b) Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	2018		2017	
	Contractual undiscounted cash outflow Within one year or on demand $'000	Carrying amount $'000	Contractual undiscounted cash outflow Within one year or on demand $'000	Carrying amount $'000
Accounts payable	43	43	243	243
Financial liabilities included in other payables and accruals	5,489	5,489	1,296	1,296
Bank loans and overdrafts	7,666	7,636	–	–
Amount due to a related party	4,526	4,526	–	–
	17,724	17,694	1,539	1,539

(c) Interest rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	2018		2017	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Variable rate borrowings:				
Bank overdrafts	3.25	3,327	–	–
Bank loans	2.7	4,309	–	–
Total net borrowings		7,636		–

34 Financial Risk Management Objectives and Policies (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 March 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased the Group's retained profits by approximately $76,000 (2017: $Nil). Other components of equity would not be materially affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2017.

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets (see note 16). All of these investments are listed.

Listed Investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

At 31 March 2018, it is estimated that an increase/decrease of 10% (2017: 10%) in the market value of the Group's available-for-sale financial assets, with all other variables held constant, would have increased/decreased the Group's other components of consolidated equity by $763,000 (2017: $190,000). Loss after tax and retained profits would not be affected unless there were impairments.

(e) Capital management

The Group defines "capital" as total equity.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group is not subject to any externally imposed capital requirements.

At 31 March 2018, the Group has interest-bearing bank loans and overdrafts amounting to $7,636,000 (2017: $Nil). The gearing ratio, representing the ratio of total borrowings to the total share capital and reserves of the Group was 10% (2017: Nil) at 31 March 2018.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

35 Financial Information of the Company

(a) Statement of financial position

	2018 $'000	2017 $'000
Non-current assets		
Investment in a subsidiary	**77,538**	94,727
Current assets		
Cash and cash equivalents	**16**	367
Current liabilities		
Amount due to a subsidiary	**10,869**	10,680
Net current liabilities	**(10,853)**	(10,313)
Net assets	**66,685**	84,414
Capital and reserves		
Issued capital	**12,000**	12,000
Other reserves	**76,861**	76,861
Shares held under share award scheme	**(4,099)**	(4,099)
Accumulated losses	**(18,077)**	(348)
Total equity	**66,685**	84,414

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Issued capital $'000	Share premium $'000	Capital reserve $'000	Shares held under share award scheme $'000	Accumulated losses $'000	(Total deficiency in assets)/ total equity $'000
At 1 April 2016		–	–	–	–	(34)	(34)
Loss and total comprehensive income for the year		–	–	–	–	(314)	(314)
Issue of shares	26	2,040	55,080	–	–	–	57,120
Capitalisation issue of shares	26	9,960	(9,960)	–	–	–	–
Arising from group reorganisation		–	–	37,607	–	–	37,607
Transaction costs directly attributable to issue of shares		–	(5,866)	–	–	–	(5,866)
Purchase of shares under share award scheme	27	–	–	–	(4,099)	–	(4,099)
At 31 March 2017		12,000	39,254	37,607	(4,099)	(348)	84,414
At 1 April 2017		12,000	39,254	37,607	(4,099)	(348)	84,414
Loss and total comprehensive income for the year		–	–	–	–	(17,729)	(17,729)
At 31 March 2018		12,000	39,254	37,607	(4,099)	(18,077)	66,685

Financial Summary

(Expressed in Hong Kong dollars)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March			
	2018	2017	2016	2015
	$'000	$'000	$'000	$'000
Revenue	**30,537**	35,096	32,539	28,347
Gross profit	**12,974**	19,425	20,043	17,576
(Loss)/profit before taxation	**(4,426)**	(4,798)	7,607	12,057
(Loss)/profit for the year	**(4,095)**	(6,088)	5,448	9,997
Attributable to:				
Owners of the Company	**(4,095)**	(6,088)	5,448	9,997
Basic (loss)/earnings per share (cents)	**(0.35)**	(0.56)	0.57	–*

Consolidated Statement of Financial Position

	As at 31 March			
	2018	2017	2016	2015
	$'000	$'000	$'000	$'000
Assets and liabilities				
Assets				
Non-current assets	**9,017**	3,199	250	611
Current assets	**87,156**	81,895	50,146	36,421
Total assets	**96,173**	85,094	50,396	37,032
Liabilities				
Current liabilities	**18,618**	3,074	6,588	7,289
Non-current liabilities	**–**	111	15	2,248
Total liabilities	**18,618**	3,185	6,603	9,537
Net Current assets	**68,538**	78,821	43,558	29,132
Total assets less current liabilities	**77,555**	82,020	43,808	29,743
Total equity attributable to owners of the Company	**77,555**	81,909	43,793	27,495

Note: The figures for the years ended 31 March 2016 and 2015 are extracted from the Prospectus in relation to the listing of the Company's shares on GEM dated 30 September 2016 (the "Prospectus").

* Earning per share information for the year ended 31 March 2015 is not meaningful due to the reorganization of the Group as disclosed in note 2.2 to the consolidated financial statements of this report.