



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



THIRD QUARTERLY REPORT  
**2017**



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

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# FINANCIAL HIGHLIGHTS

Revenue of the Company and its subsidiaries (the “Group”) for the nine months ended 31 December 2017 amounted to approximately HK\$26.8 million while gross profit of the Group for the same period amounted to approximately HK\$13.8 million.

The net profit after tax of the Group for the nine months ended 31 December 2017 amounted to approximately HK\$1.5 million, which was improved from the net loss after tax of approximately HK\$9.1 million for the nine months ended 31 December 2016, mainly attributed to (1) the increase in the total revenue of the Group by approximately HK\$3.5 million from approximately HK\$23.3 million for the nine months ended 31 December 2016 to approximately HK\$26.8 million for the nine months ended 31 December 2017 and (2) the non-incurrence of any listing expenses for the nine months ended 31 December 2017, whereas listing expenses of approximately HK\$12.5 million were incurred for the nine months ended 31 December 2016.

The board of Directors (the “Board”) has resolved not to declare the payment of any dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: Nil).



# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

The Board is pleased to announce the unaudited third quarterly consolidated results of the Group for the nine months and three months ended 31 December 2017, together with the relevant comparative unaudited figures, which have not been reviewed by the independent auditor but have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2017

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	4	8,257	6,497	26,825	23,312
Cost of services provided		(4,222)	(3,263)	(13,016)	(11,320)
Gross profit		4,035	3,234	13,809	11,992
Other income and gains		82	18	83	18
Administrative expenses		(4,058)	(3,232)	(12,164)	(20,388)
Finance costs	5	(15)	(4)	(28)	(12)
Profit/(Loss) before tax	6	44	16	1,700	(8,390)
Income tax	7	(7)	(14)	(232)	(713)
Profit/(Loss) and total comprehensive income for the period		37	2	1,468	(9,103)
Dividends	9	-	-	-	2,800
Profit/(Loss) for the period		37	2	1,468	(9,103)
Basic earnings/(loss) per share (HK cent)	8	-	-	0.12	(0.76)
Other comprehensive income for the period, net of tax					
- Change in fair value of available-for-sale financial assets		100	(186)	(7)	(186)
Total comprehensive income for the period attributable to owners of the Company		137	(184)	1,461	(9,289)



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Wholly attributable to owners of the Company					
	Issued capital	Other reserve	Revaluation reserve	Shares held under share award scheme	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2016</b>	424	21,424	-	-	21,945	43,793
Loss for the period	-	-	-	-	(9,103)	(9,103)
Other comprehensive income	-	-	(186)	-	-	(186)
Issue of shares	2,040	55,080	-	-	-	57,120
Capitalisation issue of shares	9,960	(9,960)	-	-	-	-
Transaction costs directly attributable to issue of shares	-	(5,812)	-	-	-	(5,812)
Arising from group reorganisation	(424)	424	-	-	-	-
Dividends	-	-	-	-	(2,800)	(2,800)
<b>At 31 December 2016</b>	12,000	61,156	(186)	-	10,042	83,012
<b>At 1 April 2017</b>	12,000	61,102	(151)	(4,099)	13,057	81,909
Profit for the period	-	-	-	-	1,468	1,468
Other comprehensive income	-	-	(7)	-	-	(7)
Losses recognised directly in reserve	-	-	158	-	(158)	-
<b>At 31 December 2017</b>	12,000	61,102	-	(4,099)	14,367	83,370

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2017

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

### (a) General information

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

The Company is an investment holding company. During the nine months ended 31 December 2017, the Company's subsidiaries were principally engaged in the provision of consultancy services relating to green building certification consultancy, sustainability and environmental consultancy, acoustics, noise and vibration control and audio-visual design consultancy and environmental, social and governance ("ESG") reporting and consultancy in Hong Kong, Macau and the People's Republic of China ("Mainland China" or the "PRC").

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

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

### (b) Basis of Presentation

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2017 (the "Financial Information") comprise the Company and its subsidiaries.

The Financial Information comprises the financial information of the Company and its subsidiaries and should be read in conjunction with the annual financial statements for the year ended 31 March 2017. Except for the adoption of new and revised Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1 April 2017, the accounting policies and methods of computation applied in preparing the Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2017 as described in those annual financial statements.

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



# Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2017

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

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

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

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

The issued Shares were initially listed on the GEM on the Listing Date by way of placing. 204,000,000 Shares were issued at a placing price of HK\$0.28 per Share. On the same date, 995,990,000 of the new Shares were issued through capitalisation of HK\$9,959,900 standing to the credit of the share premium account of the Company.

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



# Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2017

## 2. Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

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

## 3. Significant Accounting Estimates

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

### Estimation uncertainty

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

#### Revenue

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

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

#### Estimated recoverability of accounts receivable

The Group's management determines the impairment provision for accounts receivable based on an assessment of the recoverability of the accounts receivable. This assessment is based on the credit history of its customers and other debtors as well as the current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.



## Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2017

### 4. Revenue

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

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
An analysis of the Group's revenue during the period is as follows:				
<b>Revenue from provision of</b>				
Green building certification consultancy	4,223	2,724	14,443	12,754
Sustainability and environmental consultancy	2,762	2,163	7,423	5,684
Acoustics, noise and vibration control and audio-visual design consultancy	567	667	3,177	2,719
ESG reporting and consultancy	705	943	1,782	2,155
	<b>8,257</b>	<b>6,497</b>	<b>26,825</b>	<b>23,312</b>

## Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2017

### 5. Finance Costs

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest on a bank loan and bank overdrafts	15	4	28	12

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

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Depreciation	112	84	329	180
Employee benefit expense: (including Directors' remuneration)				
– Wages and salaries	4,991	3,932	14,472	11,125
– Pension scheme contributions (defined contribution scheme)	184	152	553	433
	5,287	4,168	15,354	11,738
Minimum lease payments under operating leases for land and buildings	834	808	2,414	2,045



## Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2017

### 7. Income Tax

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Current – Hong Kong</b>				
Charge/(credit) for the period	17	(59)	239	585
<b>Current – PRC</b>				
Charge for the period	4	11	27	31
<b>Deferred tax</b>				
	(14)	62	(34)	97
Total tax charge for the period	7	14	232	713

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

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Earnings/(Loss)</b>				
Earnings/(Loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	37	2	1,468	(9,103)

## Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2017

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

	As at 31 December	
	2017 '000	2016 '000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>1,200,000</b>	1,200,000

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

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

### 9. Dividends

The Board has resolved not to declare the payment of any dividend in respect of the nine months ended 31 December 2017 (Nil for the nine months ended 31 December 2016).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Review

The continuous revenue growth of the Group was benefited from the increasing demand for green building certification consultancy and sustainability and environmental consultancy services with the metropolisation and surging population 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.



# Management Discussion and Analysis

## 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 53.8%, 27.7%, 11.8% and 6.7% to the Group's overall revenue for the nine months ended 31 December 2017, respectively. The Group derives the majority of its revenue from green building certification consultancy, and sustainability and environmental consultancy.

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

## 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 December 2017, the Group had 132 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 are 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 December 2017, the Group had 68 projects on hand which were mainly from property developers, contractors, architects, designers and government departments.



## Management Discussion and Analysis

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

This segment provides services to assist architects and engineers to test and reveal 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 December 2017, the Group had 39 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 and formulating ESG implementation plan to the preparation of an ESG report. As at 31 December 2017, the Group had 28 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) establish and facilitate a member alliance of greener technologies and products that benefit the environment in order to accelerate and support their implementation, advancement and adoption; (ii) stimulate and support growth, including in the area of employment, in this evolving and expanding technological and production field; and (iii) identify, endorse and promote existing and emerging greener innovative technologies and related products to all sectors including the general public. Further, the Group is planning to develop its business in green building services and solutions and green products by using its internal working capital.

\* For identification only



## Management Discussion and Analysis

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 would cooperate and collaborate 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 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 improving 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.



# Management Discussion and Analysis

## Financial Review

### Revenue

The total revenue of the Group increased from approximately HK\$23.3 million for the nine months ended 31 December 2016 to approximately HK\$26.8 million for the nine months ended 31 December 2017, representing an increase of approximately 15.1%. The revenue of green building certification consultancy increased by approximately 13.2% from approximately HK\$12.8 million for the nine months ended 31 December 2016 to approximately HK\$14.4 million for the nine months ended 31 December 2017. The revenue of sustainability and environmental consultancy increased by approximately 30.6% from approximately HK\$5.7 million for the nine months ended 31 December 2016 to approximately HK\$7.4 million for the nine months ended 31 December 2017. The revenue of acoustics, noise and vibration control and audio-visual design consultancy increased by approximately 16.8% from approximately HK\$2.7 million for the nine months ended 31 December 2016 to approximately HK\$3.2 million for the nine months ended 31 December 2017. The reason for the increase of revenue in these segments is mainly due to the substantial progress of the contract services work of the Group's on-going projects attained.

The revenue of ESG reporting and consultancy decreased by approximately 17.3% from approximately HK\$2.2 million for the nine months ended 31 December 2016 to approximately HK\$1.8 million for the nine months ended 31 December 2017, which was due to substantial works of on-going ESG reporting and consultancy projects as of 31 December 2017 having been scheduled in the fourth quarter of the year.

The table below sets forth the breakdowns of the turnover by segment for each of the nine months ended 31 December 2016 and 2017:

	Nine months ended 31 December					
	2017		2016		Increase (decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	14,443	53.8	12,754	54.7	1,689	13.2
Sustainability and environmental consultancy	7,423	27.7	5,684	24.4	1,739	30.6
Acoustics, noise and vibration control and audio-visual design consultancy	3,176	11.8	2,719	11.7	457	16.8
ESG reporting and consultancy	1,783	6.7	2,155	9.2	(372)	(17.3)
Total	26,825	100.0	23,312	100.0	3,513	15.1

## Management Discussion and Analysis

The total revenue of the Group increased by approximately 15.1% from approximately HK\$23.3 million for the nine months ended 31 December 2016 to approximately HK\$26.8 million for the nine months ended 31 December 2017.

### Administrative Expenses

The Group's administrative expenses decreased by approximately 40.3% from approximately HK\$20.4 million for the nine months ended 31 December 2016 to approximately HK\$12.2 million for the nine months ended 31 December 2017, which was mainly due to the non-incurrence of any listing expenses for the nine months ended 31 December 2017 (nine months ended 31 December 2016: listing expenses of approximately HK\$12.5 million) despite additional operating costs of approximately HK\$4.3 million were incurred for team expansion in order to cope with future development, such as staff cost, legal and professional fees and rental expenses for the nine months ended 31 December 2017.

### Profit Attributable to the Owners of the Company

The profit of the Group was approximately HK\$1.5 million for the nine months ended 31 December 2017 as compared to the loss of approximately HK\$9.1 million for the corresponding period in 2016, mainly attributed to (1) the increase in the total revenue of the Group by approximately HK\$3.5 million from approximately HK\$23.3 million for the nine months ended 31 December 2016 to approximately HK\$26.8 million for the nine months ended 31 December 2017 and (2) the non-incurrence of any listing expenses for the nine months ended 31 December 2017 whereas listing expenses of approximately HK\$12.5 million were incurred in the nine months ended 31 December 2016.

### Use of Proceeds from the Listing

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



## Management Discussion and Analysis

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

Use of net proceeds	Adjusted planned use of net proceeds# (HK\$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds up to 31 December 2017 (HK\$'000)	Unused net proceeds up to 31 December 2017 (HK\$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries	13,358	40%	37	13,321
Expand through strategic mergers and acquisitions in Hong Kong	6,679	20%	–	6,679
Further expand and develop the Group's services to ESG reporting and consultancy	6,679	20%	2,357	4,322
Further strengthen and expand the Group's in-house team of professional staff	5,010	15%	2,609	2,401
Provide funding for the Group's working capital and other general corporate purposes	1,670	5%	1,670	–
	33,396	100%	6,673	26,723

# 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 the Prospectus (based on the placing price of HK\$0.25 per Share) 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.

## Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivables management, etc. The Company did not engage in any derivatives agreement and did not commit any financial instruments to hedge its foreign exchange exposure as at 31 December 2017.

## Management Discussion and Analysis

### Treasury Policies

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

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

As at 31 December 2017, the Group did not hold any significant investments in equity interest in any other companies. Save as disclosed in this report and in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Group 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 nine months ended 31 December 2017.

### Corporate Guarantee and Pledge of Assets

As at 31 December 2017, 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 December 2017.

### Contingent Liabilities

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

### Commitments

As at 31 December 2017, the Group had capital commitments in relation to the purchase of intangible assets of approximately HK\$136,000.



## Management Discussion and Analysis

### Financial Risk Management

Risk management is carried out by the Company's finance department in accordance with 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 the 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.

### Important Event after the Reporting Period

On 4 January 2018, the Company (i) has been allotted and issued 1,000,000 shares of Sanbase Corporation Limited ("Sanbase"), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on the GEM (stock code: 8501), representing approximately 0.5% of the entire issued share capital of Sanbase and (ii) has purchased from the market 4,084,000 shares of Sanbase, representing approximately 2.04% of the entire issued share capital of Sanbase. Immediately after the allotment and acquisition, the Company owns approximately 2.54% of the entire issued share capital of Sanbase. Sanbase is an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong. Its main categories of services include: (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance and (v) churn work. The Company considered that the allotment and acquisition is an attractive investment which the business prospect of Sanbase is good and the Company intends to have further business cooperation with Sanbase in the future, such as (1) green building projects; (2) smart building projects; (3) acoustics and lighting designs and (4) environmental monitoring services which may produce synergy effect for both companies.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Share Option Scheme

The Company has conditionally adopted a share option scheme (the “Share Option Scheme”) by the resolutions in writing of the shareholders of the Company (the “Shareholders”) on 23 September 2016. The Share Option Scheme became effective on the Listing Date. As no option had been granted since the Listing Date, there were no outstanding options as at 31 December 2017, and no options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme during the nine months ended 31 December 2017.

## Share Award Scheme

On 8 February 2017, the Board approved a share award scheme (the “Share Award Scheme”) to complement the Group’s human resources policy for enhancing staff welfare benefits to ensure that talents can be retained and their productivity and potentials can be elevated. During the year ended 31 March 2017, BOCI-Prudential Trustee Limited (“BOCI”), acting as the trustee, had purchased an aggregate of 16,000,000 issued Shares on the Stock Exchange to hold on trust for any participant selected by the administration committee. During the nine months ended 31 December 2017, no further Shares were purchased by BOCI and no Shares were awarded to any participants of the Share Award Scheme.



## Corporate Governance and Other Information

### Directors' and Chief Executive's Interests and Short Positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2017, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the required standard of dealings by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), to be notified to the Company and the Stock Exchange, were as follows:

#### Interests in the Company

Name of Directors	Capacity/ Nature of interests	Number of Shares held	Total	Approximate percentage of shareholding
Ms. Kwok May Han Grace ("Ms. Kwok") (Note)	Interest of a controlled corporation	721,701,600 (long position)	722,401,600 (long position)	60.20%
	Beneficial owner	700,000 (long position)		
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse	722,401,600 (long position)	722,401,600 (long position)	60.20%

Note: 721,701,600 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, his wife, under the SFO.



## Corporate Governance and Other Information

### Interests in the Associated Corporation

Name of associated corporation	Name of Directors	Capacity/ Nature of interests	Number and class of shares held	Total	Percentage of shareholding
Gold Investments	Ms. Kwok (Note)	Beneficial owner	70 shares of HK\$1.00 each (long position)	100 shares of HK\$1.00 each (long position)	100%
		Interest of spouse	30 shares of HK\$1.00 each (long position)		
	Mr. Wu (Note)	Beneficial owner	30 shares of HK\$1.00 each (long position)	100 shares of HK\$1.00 each (long position)	100%
		Interest of spouse	70 shares of HK\$1.00 each (long position)		

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

Save as disclosed above, as at 31 December 2017, 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 Required Standard of Dealings.



## Corporate Governance and Other Information

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

As far as the Directors are aware, as at 31 December 2017, the following person (other than a Director or chief executive of the Company) or entities had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Notes:

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

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than a Director or the chief executive of the Company) who or entities which had interests or short positions in the Shares or underlying Shares, which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Corporate Governance and Other Information

### Rights to Acquire Shares or Debentures

At no time during the nine months ended 31 December 2017 and up to the date of this report was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

### Non-Competition Undertaking by Controlling Shareholders

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

During the nine months ended 31 December 2017, none of the Controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competed or might compete with the business of the Group and any other conflict of interest with the Group.



## Corporate Governance and Other Information

### Directors' Interest in Competing Business

Save and except for the interests of the Directors in the Company and its subsidiaries, during the nine months ended 31 December 2017, none of the Directors had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with its business.

### Corporate Governance Code

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

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

Furthermore, with respect to code provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules and the applicable laws. As disclosed in the corporate governance report of the Company's annual report 2017, the Board noted that certain Directors might not have been provided with the financial information on a monthly basis 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 nine months ended 31 December 2017, the Company 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 the Directors (the "Securities Code") on terms no less exacting than the Required Standard of Dealings. Following the specific enquiries made by the Company on the Directors, all Directors confirmed that they had complied with the Required Standard of Dealings and the Securities Code during the nine months ended 31 December 2017.

## Corporate Governance and Other Information

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

The Company did not redeem any of the Company's listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during the nine months ended 31 December 2017 and thereafter up to the date of this report.

### Interests of Compliance Adviser

As notified by Guotai Junan Capital Limited ("GTJAC"), the compliance adviser of the Company, save for the compliance adviser agreement dated 6 June 2016 and entered into between the Company and GTJAC, neither GTJAC nor any of its close associates, directors or employees had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2017 and up to the date of this report.

### Audit Committee

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

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

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

Hong Kong, 12 February 2018

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

