



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 2018



SHAPING SUSTAINABILITY ENHANCING LIVELIHOODS



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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.



Contents

Financial Highlights	3
Unaudited Condensed Consolidated Statements	4-5
Notes to the Condensed Consolidated Financial Information	6-17
Management Discussion and Analysis	18-27
Corporate Governance and Other Information	28-34

Financial Highlights

Revenue of the Company and its subsidiaries (the “Group”) for the nine months ended 31 December 2018 amounted to approximately HK\$24.1 million while gross profit of the Group for the same period amounted to approximately HK\$9.3 million.

The net loss after tax of the Group for the nine months ended 31 December 2018 amounted to approximately HK\$3.1 million, as compared with the net profit after tax of approximately HK\$1.5 million for the nine months ended 31 December 2017, mainly attributed to (i) the decrease in the total revenue of the Group by approximately HK\$2.7 million from approximately HK\$26.8 million for the nine months ended 31 December 2017 to approximately HK\$24.1 million for the nine months ended 31 December 2018 and (ii) increase in cost of services provided of approximately HK\$1.8 million, mainly for subcontracting cost of ecology and laboratory testing services for the nine months ended 31 December 2018.

The board of Directors (the “Board”) has resolved not to declare the payment of an interim dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

Unaudited Condensed Consolidated Statements

The Board announces the unaudited third quarterly consolidated results of the Group for the nine months and three months ended 31 December 2018, together with the relevant comparative unaudited figures, which have not been audited nor 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 2018

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	5	7,339	8,257	24,146	26,825
Cost of services provided		(4,563)	(4,222)	(14,864)	(13,016)
Gross profit		2,776	4,035	9,282	13,809
Other income and gains		104	82	153	83
Unrealised gain of financial assets		259	–	68	–
Administrative expenses		(4,774)	(4,058)	(13,006)	(12,164)
Finance costs	6	(36)	(15)	(118)	(28)
(Loss)/Profit before tax	7	(1,671)	44	(3,621)	1,700
Income tax credit/(expenses)	8	238	(7)	567	(232)
(Loss)/Profit for the period wholly attributable to owners of the Company		(1,433)	37	(3,054)	1,468
Dividends	10	–	–	–	–
(Loss)/Profit for the period Basic (loss)/earnings per share (HK cent)	9	(0.12)	–	(0.25)	0.12
Other comprehensive income for the period wholly attributable to owners of the Company, net of tax – Change in fair value of available-for-sale financial assets		–	100	–	(7)
Total comprehensive income for the period wholly attributable to owners of the Company		(1,433)	137	(3,054)	1,461

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

	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
At 1 April 2017	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)	-
At 31 December 2017	12,000	61,102	-	(4,099)	14,367	83,370
At 1 April 2018	12,000	61,102	(410)	(4,099)	8,962	77,555
Loss for the period	-	-	-	-	(3,054)	(3,054)
Purchase of shares under share award scheme	-	-	-	(816)	-	(816)
Impact on initial application of HKFRS 9	-	-	410	-	(492)	(82)
At 31 December 2018	12,000	61,102	-	(4,915)	5,416	73,603

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

1. Corporation Information, Reorganisation and Basis of Presentation

(a) General information

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

The Company is an investment holding company. During the nine months ended 31 December 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").

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

(b) Basis of Preparation and Presentation

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 (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 2018. Except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2018, 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 2018 as described in those annual financial statements.

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 2018

2. Accounting Policies

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

Except for the changes in accounting policies stated in note 3, 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 2018 included in the annual report 2018.

3. Changes in Accounting Policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9.

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 April 2018.

Retained earnings

	HK\$'000
Transferred from revaluation reserve relating to financial assets now measured at fair value through profit or loss ("FVPL")	(410)
Recognition of additional expected credit losses on	
– financial assets measured at amortised cost	(98)
– Related tax	16
Net decrease in retained earnings at 1 April 2018	(492)

Revaluation reserve

	HK\$'000
Transferred to retained earnings relating to financial assets now measured at FVPL	410
Net increase in revaluation reserve at 1 April 2018	410

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into the measured at amortised cost category, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and
- contract assets as defined in HKFRS 15.

Financial assets measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

3. Changes in Accounting Policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for financial assets measured at FVPL, for which the loss allowance is recognised through profit or loss.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK\$98,922, which decreased retained earnings by HK\$98,922, and accounts receivables by HK\$98,922 at 1 April 2018.

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

4. 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 2018

5. 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
An analysis of the Group's revenue during the period is as follows:				
Revenue from provision of				
Green building certification consultancy	2,978	4,223	8,446	14,443
Sustainability and environmental consultancy	2,447	2,762	8,465	7,423
Acoustics, noise and vibration control and audio-visual design consultancy	1,064	567	4,031	3,177
ESG reporting and consultancy	850	705	3,204	1,782
	7,339	8,257	24,146	26,825

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

6. Finance Costs

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest on a bank loan and bank overdrafts	36	15	118	28

7. (Loss)/Profit Before Tax

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Depreciation	115	112	310	329
Employee benefit expense: (including Directors' remuneration)				
– Wages and salaries	5,470	4,991	15,476	14,472
– Pension scheme contributions (defined contribution scheme)	187	184	561	553
	5,772	5,287	16,347	15,354
Minimum lease payments under operating leases for land and buildings	841	834	2,519	2,414

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

8. Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current – Hong Kong				
Charge for the period	–	17	–	239
Current – PRC				
Charge for the period	5	4	15	27
Deferred tax	(243)	(14)	(582)	(34)
Total tax (credit)/charge for the period	(238)	7	(567)	232

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2018

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

The calculation of the basic (loss)/earnings 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(Loss)/Earnings				
(Loss)/Earnings for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	(1,433)	37	(3,054)	1,468
			As at 31 December	
			2018	2017
			'000	'000
Number of shares				
Number of ordinary Shares for the purpose of basic (loss)/earnings per share			1,200,000	1,200,000

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

10. Dividends

The Board has resolved not to declare the payment of any dividend in respect of the nine months ended 31 December 2018 (Nil for the nine months ended 31 December 2017).

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 the preparation of the 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 requirements 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 Group is 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 35.0%, 35.0%, 16.7% and 13.3% to the Group's total revenue for the nine months ended 31 December 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 December 2018, the Group had 156 (as at 31 December 2017: 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 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 2018, the Group had 93 (as at 31 December 2017: 68) 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 December 2018, the Group had 42 (as at 31 December 2017: 39) projects on hand which were mainly from property developers, architects and designers.

Management Discussion and Analysis

ESG Reporting and Consultancy

This segment provides companies listed on the Stock Exchange with consultancy on ESG reporting, which is required by the relevant rules of the Stock Exchange 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 assist 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 December 2018, the Group had 23 (as at 31 December 2017: 28) projects on hand across various industries.

Prospects

To carve out a niche in the increasingly competitive market, the Group is improving its competitive position by expanding its customer base and enhancing its productivity through implementing an Enterprise Resource Planning system. Meanwhile, the Group is seizing every opportunity to develop and offer new solutions and products with an aim to create synergy through blending and enriching its existing consultancy services. The Group believes that it is on track to achieve sustainable long-term performance.

In June 2018, the Group launched 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 in order to stay competitive. The Group believes that its new solution will benefit from the growing demand for better indoor working environment.

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 exploring business opportunities through tendering and submitting bids. In addition, the Group is actively exploring development and acquisition opportunity in other first-tier cities in Mainland China such as Beijing and Shanghai in the areas of environmental solutions, indoor air quality solutions and products, building management systems, green building solutions and products, and so on.

* For identification purpose only

Management Discussion and Analysis

Furthermore, the Group will strive 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 in areas including employment in this evolving and expanding technological and production field; and (iii) identify, endorse and promote existing and emerging green and 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 the coming quarter, the Group intends to provide clients with innovative software services regarding smart energy management, fault detection, and diagnosis on building equipment and systems on a cloud-based platform. It will be included in the energy service packages and the target client will be large-scale commercial premises, office blocks, industrial plants, hotels and hospitals in Hong Kong and the PRC.

In addition, the Group intends to provide “offline to online” ESG solution services, including but not limited to design and production of online ESG learning materials, and provision of online solution support to Hong Kong and PRC clients. The Group is positive about the potential market of the online ESG solution.

In the future, the Group may cooperate and collaborate with 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 smart building consultancy services. ECI is a company incorporated in the Cayman Islands and listed on GEM which is engaged in the provision of extralow voltage (ELV) solutions.

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\$26.8 million for the nine months ended 31 December 2017 to approximately HK\$24.1 million for the nine months ended 31 December 2018, representing a decrease of 10.0%. As at 31 December 2018, the Group had 314 projects on hand, the aggregate contract sum of which amounted to approximately HK\$126.6 million.

Management Discussion and Analysis

The revenue of green building certification consultancy significantly decreased by 41.5% from approximately HK\$14.4 million for the nine months ended 31 December 2017 to approximately HK\$8.4 million for the nine months ended 31 December 2018, which was resulted from (i) the slowdown of progress 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 14.0% from approximately HK\$7.4 million for the nine months ended 31 December 2017 to approximately HK\$8.5 million for the nine months ended 31 December 2018. Such improvement in revenue was attributable to the substantial progress achieved in the projects in this segment and increment of number of ongoing projects.

The revenue of acoustics, noise and vibration control and audio-visual design consultancy increased by approximately 26.9% from approximately HK\$3.2 million for the nine months ended 31 December 2017 to approximately HK\$4.0 million for the nine months ended 31 December 2018 which was mainly attributable to the substantial progress achieved in the projects in this segment and increment of number of ongoing projects.

The revenue of ESG reporting and consultancy significantly increased by 79.8% from approximately HK\$1.8 million for the nine months ended 31 December 2017 to approximately HK\$3.2 million for the nine months ended 31 December 2018, which was due to the substantial progress achieved in the projects in this segment.

The table below sets forth the breakdown of the revenue by segment for each of the nine months ended 31 December 2017 and 2018:

	Unaudited Nine months ended 31 December					
	2018		2017		Increase (decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	8,446	35.0	14,443	53.8	(5,997)	(41.5)
Sustainability and environmental consultancy	8,465	35.0	7,423	27.7	1,042	14.0
Acoustics, noise and vibration control and audio-visual design consultancy	4,031	16.7	3,176	11.8	854	26.9
ESG reporting and consultancy	3,204	13.3	1,783	6.7	1,422	79.8
Total	24,146	100.0	26,825	100.0	(2,679)	(10.0)

Management Discussion and Analysis

Administrative Expenses

The Group's administrative expenses increased by approximately 6.9% from approximately HK\$12.2 million for the nine months ended 31 December 2017 to approximately HK\$13.0 million for the nine months ended 31 December 2018, which was mainly due to additional expenses incurred for team expansion in order to cope with future development, such as legal and professional fees, staff cost and advertising expenses for the nine months ended 31 December 2018.

Loss Attributable to the Owners of the Company

The loss of the Group was approximately HK\$3.1 million for the nine months ended 31 December 2018 as compared to the profit of approximately HK\$1.5 million for the corresponding period in 2017, mainly due to (i) the decrease in the total revenue of the Group by approximately HK\$2.7 million from approximately HK\$26.8 million for the nine months ended 31 December 2017 to approximately HK\$24.1 million for the nine months ended 31 December 2018 and (ii) increase in cost of services provided of approximately HK\$1.8 million, mainly for subcontracting cost of ecology and laboratory testing services for the nine months ended 31 December 2018.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars and did not engage in any hedging arrangements during the nine months ended 31 December 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 nine months ended 31 December 2018. 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.

Management Discussion and Analysis

Use of Proceeds from the Listing

On the Listing Date, the issued Shares were listed on GEM.

On 9 August 2018, the Company has resolved to change the use of net proceeds. Details of the revised allocation of the net proceeds of the initial public offering are set out as follows:

Proposed use of Net Proceeds	Original allocation of the Net Proceeds	Approximate percentage of total Net Proceeds	Actual use of Net Proceeds up to 31 July 2018	Unused Net Proceeds up to 31 July 2018 (before the Change)	Revised use of Net Proceeds	Revised allocation of unused Net Proceeds (after the Change)	Reasons for the revised use and allocation of Net Proceeds
Expand into the PRC market through acquisition or establishment of subsidiaries	13,358	40%	45	13,313	No Change	13,313	
Expand through strategic mergers and acquisitions in Hong Kong	6,679	20%	–	6,679	Acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business	5,800	The revised use of proceeds is to better reflect the Company's current direction of expansion. The allocation of proceeds was adjusted downward because under the recent preliminary term-sheet discussion in relation to an acquisition of a target company, the cash consideration was not expected to exceed HK\$5.8 million.
Further expand and develop the Group's services to ESG	6,679	20%	3,708	2,971	Strengthen ESG and environmental project team to expand and develop both ESG consultancy and environmental consultancy business	3,634	The revised use and allocation of proceeds is to combine the resources of both ESG consultancy and environmental consultancy business in order to expand the business in an effective and efficient manner.
Further strengthen and expand the Group's in-house team of professional staff	5,010	15%	4,347	663			
Provide funding for the Group's working capital and other general corporate purposes	1,670	5%	1,670	–	Transferred from the original purpose of strategic mergers and acquisitions in Hong Kong	879	The extra amount of HK\$879,000 (available from the reduced amount of HK\$5.8 million used in mergers and acquisitions in Hong Kong) was applied towards the Group's working capital and general corporate purposes since the Company anticipated that it is unlikely to identify another suitable acquisition target in the near future.
Total	33,396	100%	9,770	23,626		23,626	

Management Discussion and Analysis

As at 31 December 2018, the net proceeds had been applied and utilized as follows:

Use of net proceeds	Adjusted planned use of net proceeds since 1 August 2018 (HK\$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds up to 31 December 2018 (HK\$'000)	Unused net proceeds up to 31 December 2018 (HK\$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries	13,313	56%	–	13,313
Acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business	5,800	25%	–	5,800
Strengthen ESG and environmental project team to expand and develop both ESG consultancy and environmental consultancy business	3,634	15%	2,996	638
Provide funding for the Group's working capital and other general corporate purposes	879	4%	879	–
	23,626	100%	3,875	19,751

The Directors intend to continue to apply the remaining net proceeds in accordance with the uses and in the proportions as stated in the announcement dated 9 August 2018 regarding to the Change of Use of Proceeds.

Significant Investments and Future Plans for Material Investments and Capital Assets

As at 31 December 2018, 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 2018.

Corporate Guarantee and Pledge of Assets

As at 31 December 2018, the Group’s bank borrowings were guaranteed or secured by (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 2018.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2018 (31 March 2018: Nil).

Management Discussion and Analysis

Capital Commitments

As at 31 December 2018, the Group had capital commitments in relation to the purchase of intangible assets of approximately HK\$390,000 (31 March 2018: HK\$63,000).

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 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.

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 2018, and no options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme during the nine months ended 31 December 2018.

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 years ended 31 March 2017 and 2018, 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. In April 2018, Administration Committee has resolved to grant 12,100,000 shares to Selected Participant.

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 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 (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:

Corporate Governance and Other Information

Interests in the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Ms. Kwok May Han Grace ("Ms. Kwok") (Note)	Interest of a controlled corporation, Beneficial owner and Interest of spouse	725,051,600 (long position)	60.42%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse and Beneficial owner	725,051,600 (long position)	60.42%

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.

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 Mr. Wu in Gold Investments under the SFO, and Mr. Wu is deemed to be interested in the shares held by Ms. Kwok in Gold Investments under the SFO.

Corporate Governance and Other Information

Save as disclosed above, as at 31 December 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 Required Standard of Dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules.

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

As far as the Directors are aware, as at 31 December 2018, the following persons (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	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 Shares held by City Beat.

Corporate Governance and Other Information

Save as disclosed above, as at 31 December 2018, 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.

Rights to Acquire Shares or Debentures

At no time during the nine months ended 31 December 2018 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.

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 2018, none of the Directors had any interest in a business which competed or was likely to compete, directly or indirectly, with its business of the Group.

Corporate Governance and Other Information

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.

Save as disclosed above, during the nine months ended 31 December 2018, the Company has complied with all the code provisions of the CG Code.

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 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 dated 6 June 2016 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 2018 and up to the date of this report.

Change of Director and Composition of Board Committees

With effect from 30 June 2018:

- (a) Mr. Li Wing Sum Steven has been appointed as an independent non-executive director, the chairman of audit committee and the member of nomination committee, remuneration committee, risk management committee and environmental, social and governance committee of the Company; and
- (b) Mr. Lie Kong Sang resigned as the independent non-executive Director, the chairman of the audit committee and the member of nomination committee, remuneration committee, risk management committee and environmental, social and governance committee of the Company.

Events After the Reporting Period

There were no material events after the reporting period that would affect the results of the Group for the nine months ended 31 December 2018.

Audit Committee

The Company established the Audit Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee consists of three INEDs, namely Mr. Li Wing Sum Steven (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, 13 February 2019

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, Ms. Wong Yee Lin Elaine and Mr. Li Wing Sum Steven.