



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



INTERIM 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 six months ended 30 September 2017 amounted to approximately HK\$18.6 million while gross profit of the Group for the same period amounted to approximately HK\$9.8 million.

The net profit after tax of the Group for the six months ended 30 September 2017 amounted to approximately HK\$1.4 million, which was improved from the net loss after tax of approximately HK\$9.1 million for the six months ended 30 September 2016, mainly attributed to (1) the increase in the total revenue of the Group by approximately HK\$1.8 million from approximately HK\$16.8 million for the six months ended 30 September 2016 to approximately HK\$18.6 million for the six months ended 30 September 2017 and (2) the non-incurrence of any listing expenses for the six months ended 30 September 2017, whereas listing expenses of approximately HK\$12.5 million were incurred in the six months ended 30 September 2016.

The board of Directors (the “Board”) has resolved not to declare the payment of any dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).



UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months and three months ended 30 September 2017, together with the relevant comparative unaudited/audited 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:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	4	8,790	8,722	18,568	16,815
Cost of services provided		(4,537)	(4,462)	(8,794)	(8,057)
Gross profit		4,253	4,260	9,774	8,758
Other income and gains		–	–	1	–
Administrative expenses		(4,112)	(8,764)	(8,106)	(17,156)
Finance costs	5	(13)	(2)	(13)	(8)
Profit/(Loss) before tax	6	128	(4,506)	1,656	(8,406)
Income tax credit/(expenses)	7	35	(208)	(225)	(699)
Profit/(Loss) for the period wholly attributable to owners of the Company		163	(4,714)	1,431	(9,105)
Dividends	9	–	–	–	(2,800)
Profit/(Loss) for the period		163	(4,714)	1,431	(9,105)
Basic earnings/(loss) per share (HK cent)	8	0.01	(0.47)	0.12	(0.91)
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		265	–	(107)	–
Total comprehensive income for the period wholly attributable to owners of the Company		428	(4,714)	1,324	(9,105)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Non-current assets			
Property, plant and equipment	10	1,079	1,205
Prepayments for intangible assets		97	97
Available-for-sale financial assets		1,790	1,897
		2,966	3,199
Current assets			
Contract assets		35,236	29,460
Accounts receivable	11	9,741	9,613
Prepayments, deposits and other receivables		4,190	3,760
Pledged bank deposits		5,000	–
Cash and bank balances		29,506	39,062
Tax prepaid		534	–
Total current assets		84,207	81,895
Current liabilities			
Accounts payable	12	158	243
Other payables and accruals		1,629	1,296
Contract liabilities		455	159
Unsecured bank borrowings		1,607	–
Current tax payable		–	1,376
Total current liabilities		3,849	3,074
Net current assets		80,358	78,821
Total assets less current liabilities		83,324	82,020
Non-current liabilities			
Deferred tax liabilities		91	111
Net assets		83,233	81,909
Equity			
Issued capital	13	12,000	12,000
Reserves		71,233	69,909
Total equity		83,233	81,909

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Wholly attributable to owners of the Company					Total equity HK\$'000
	Issued capital HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Shares held under share award scheme HK\$'000	Retained profits HK\$'000	
At 1 April 2016	424	21,424	-	-	21,945	43,793
Loss and total comprehensive income for the period	-	-	-	-	(9,105)	(9,105)
Arising from group reorganisation	(424)	424	-	-	-	-
Dividends	-	-	-	-	(2,800)	(2,800)
At 30 September 2016	-	21,848	-	-	10,040	31,888
At 1 April 2017	12,000	61,102	(151)	(4,099)	13,057	81,909
Profit for the period	-	-	-	-	1,431	1,431
Other comprehensive income	-	-	(107)	-	-	(107)
At 30 September 2017	12,000	61,102	(258)	(4,099)	14,488	83,233



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Cash flows used in operating activities		
Profit/(Loss) before tax	1,656	(8,406)
Adjustments for:		
Finance costs	13	8
Depreciation	217	96
Interest Income	(1)	–
	1,885	(8,302)
Increase in contract assets	(5,776)	(4,624)
Increase in accounts receivable	(128)	(1,539)
Increase in prepayments, deposits and other receivables	(430)	(94)
(Decrease)/increase in accounts payable	(85)	966
Increase in other payables and accruals	333	3,947
Increase/(decrease) in contract liabilities	296	(35)
Cash used in operations	(3,905)	(9,681)
Interest paid	(13)	(8)
Hong Kong Profits Tax paid	(2,155)	–
Net cash used in operating activities	(6,073)	(9,689)
Cash flows used in investing activities		
Additions of items of property, plant and equipment	(91)	(296)
Interest received	1	–
Net cash used in investing activities	(90)	(296)



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Cash flows generated from/(used in) financing activities		
Interest-bearing bank loan obtained	1,607	–
Payment of expenses relating to placing of shares	–	(2,129)
Net cash generated from/(used in) financing activities	1,607	(2,129)
Net decrease in cash and cash equivalents	(4,556)	(12,114)
Cash and cash equivalents at beginning of the period	39,062	18,843
Cash and cash equivalents at end of the period	34,506	6,729
Analysis of balances of cash and cash equivalents		
Pledged bank deposits	5,000	–
Cash and bank balances	32,566	6,729
Bank overdrafts	(3,060)	–
	34,506	6,729



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2017

1. Corporation Information, Reorganisation and Basis of Presentation

(a) General information

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

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

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

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

(b) Basis of Preparation and Presentation

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 (the "Financial Information") have been prepared in accordance with Hong Kong Accounting Standard 34 'Interim financial reporting'.

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2017, the accounting policies and 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 in the Cayman Islands on 11 November 2015. On 22 September 2016, as part of the reorganisation arrangements, the Company had undergone in preparation for the listing of Shares on the GEM (the "Reorganisation"), the entire issued share capital of AEC Group Limited ("AEC BVI") was transferred to the Company in consideration for an issue of the Company's shares to the equity shareholders of AEC BVI (the "Share Transfer"). Upon the completion of the Share Transfer on 22 September 2016, the Company became the parent company of AEC BVI and its subsidiaries, and the holding company of the Group.



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

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

(b) Basis of Preparation and Presentation (Continued)

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

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

The issued Shares were initially listed on the GEM on the Listing Date. 204,000,000 Shares were issued at a placing price of HK\$0.28 per Share. On the same date, 995,990,000 of the new Shares were issued through capitalisation of HK\$9,959,900 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 Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

2. Accounting Policies

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

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

3. Significant Accounting Estimates

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

Estimation uncertainty

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

Revenue

Revenue and profit recognition on provision of consultancy services is dependent on the estimation of the progress of the satisfaction of performance obligation of a service contract over time. Based on the Group's past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

4. Segment Information

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 the clients, preparing report in compliance with the Stock Exchange's requirements pursuant to the ESG reporting guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board Listing Rules") and Appendix 20 to the GEM Listing Rules (collectively, the "ESG Reporting Guide"), assisting the clients in establishing comprehensive solutions to enhance ESG system and providing training and seminars to the clients.

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



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

4. Segment Information (Continued)

	Green building certification consultancy		Sustainability and environmental consultancy		Acoustics, noise and vibration control and audio-visual design consultancy		ESG reporting and consultancy		Total	
	Unaudited									
	Six months ended 30 September									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue										
Hong Kong	10,153	9,679	4,585	3,060	1,869	1,598	1,077	1,212	17,684	15,549
Mainland China	33	274	76	84	693	367	-	-	802	725
Macau	34	77	-	377	48	87	-	-	82	541
Total revenue	10,220	10,030	4,661	3,521	2,610	2,052	1,077	1,212	18,568	16,815
Segment results	5,440	5,410	2,424	1,930	1,275	740	635	678	9,774	8,758
Reconciliation										
Unallocated income									1	-
Unallocated expenses:										
- Listing expenses									-	(12,524)
- Others									(8,106)	(4,632)
Finance costs									(13)	(8)
Profit/(Loss) before tax									1,656	(8,406)
Other segment information										
Impairment of accounts receivable										
Unallocated:										
- Depreciation									217	96
- Capital expenditure*									91	296

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

Geographical information

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

5. Finance Costs

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest on a bank loan and bank overdrafts	13	2	13	8

6. Profit/(Loss) Before Tax

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Depreciation	116	56	217	96
Employee benefit expense: (including Directors' remuneration)				
– Wages and salaries	5,430	3,704	9,850	7,193
– Pension scheme contributions (defined contribution scheme)	182	149	369	281
	5,728	3,909	10,436	7,570
Minimum lease payments under operating leases for land and buildings	808	598	1,580	1,237



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 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 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current – Hong Kong				
(Credit)/charge for the period	(37)	169	222	644
Current – PRC				
Charge for the period	12	8	23	20
Deferred tax				
	(10)	31	(20)	35
Total tax (credit)/charge for the period	(35)	208	225	699

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

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Earnings/(Loss)				
Earnings/(Loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	163	(4,714)	1,431	(9,105)



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

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

	As at 30 September	
	2017 '000	2016 '000
Number of shares		
Number of ordinary Shares for the purpose of basic earnings/(loss) per share	1,184,000	996,000

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

No diluted earnings/(loss) per share for the periods 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 six months ended 30 September 2017 (Nil for the six months ended 30 September 2016).



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

10. Property, Plant and Equipment

	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
30 September 2016			
At 1 April 2016:			
Cost	2,431	1,129	3,560
Accumulated depreciation	(2,181)	(1,129)	(3,310)
Net carrying amount	250	–	250
At 1 April 2016, net of accumulated depreciation	250	–	250
Additions	296	–	296
Depreciation provided during the period	(96)	–	(96)
At 30 September 2016, net of accumulated depreciation	450	–	450
At 30 September 2016:			
Cost	2,727	1,129	3,856
Accumulated depreciation	(2,277)	(1,129)	(3,406)
Net carrying amount	450	–	450



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

10. Property, Plant and Equipment (Continued)

	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
30 September 2017			
At 1 April 2017:			
Cost	3,431	256	3,687
Accumulated depreciation	(2,461)	(21)	(2,482)
Net carrying amount	970	235	1,205
At 1 April 2017, net of accumulated depreciation	970	235	1,205
Additions	91	–	91
Depreciation provided during the period	(185)	(32)	(217)
At 30 September 2017, net of accumulated depreciation	876	203	1,079
At 30 September 2017:			
Cost	3,522	256	3,778
Accumulated depreciation	(2,646)	(53)	(2,699)
Net carrying amount	876	203	1,079

11. Accounts Receivable

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Accounts receivable	11,323	11,195
Impairment	(1,582)	(1,582)
	9,741	9,613



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

11. Accounts Receivable (Continued)

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

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within 1 month	2,409	734
Over 1 month but less than 6 months	4,274	3,832
Over 6 months but less than 12 months	747	2,590
Over 12 months but less than 24 months	1,690	1,834
Over 24 months	621	623
	9,741	9,613

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
At the beginning of the period/year	1,582	1,434
Impairment losses recognised	–	273
Write-back of impairment	–	(125)
	1,582	1,582

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



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

11. Accounts Receivable (Continued)

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Neither past due nor impaired	2,409	734
Less than 1 month past due	902	1,499
1 to 3 months past due	1,717	1,326
Over 3 months to 6 months past due	733	1,370
Over 6 months past due	3,980	4,684
	9,741	9,613

12. Accounts Payable

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within 1 month	–	–
Over 1 month to 6 months	40	–
Over 6 months	118	243
	158	243

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

13. Share Capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 November 2015 with authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. On the date of incorporation, one ordinary share was allotted and issued by the Company to the initial subscriber as nil paid share.

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



Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2017

13. Share Capital (Continued)

On 25 August 2015, AEC BVI issued 4,756 shares at a consideration of US\$1,400,000, equivalent to HK\$10,850,000. On 22 September 2016, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on GEM. The Company issued 9,999 shares of HK\$0.01 each to the shareholders of AEC BVI in consideration for all their respective equity interests in AEC BVI.

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

The issued shares of the Company were listed on GEM on the Listing Date. On the same date, 995,990,000 of the Company's new shares were issued through capitalisation of HK\$9,959,900 standing to the credit of share premium account of the Company. Further, 204,000,000 shares of the Company were issued at a placing price of HK\$0.28 per share. Since then, the share capital represented 1,200,000,000 shares of the Company of HK\$0.01 each.

14. Operating Lease Arrangements

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

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within one year	3,772	1,186
In the second to fifth years, inclusive	3,312	–
	7,084	1,186

15. Approval of the Interim Financial Information

The financial statements were approved and authorised for issue by the Board on 13 November 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The continuous revenue growth of the Group was benefited from the increasing demand for green building certification consultancy and sustainability and environmental consultancy services with the metropolisation and surging population. The Environmental Protection Department of Hong Kong, along with other related government departments, have implemented various laws regulating environmental issues, such as the Environmental Impact Assessment Ordinance (《環境影響評估條例》) (Chapter 499 of the laws of Hong Kong) which has made environmental impact assessment report a 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 points out the importance of energy saving performance of both public and residential buildings and leads to a demand for sustainability and environmental consultancy and green building certification consultancy services. The Hong Kong Government also issued (i) the Practice Note of Sustainable Building Design Guidance to enhance the quality and sustainability of the built environment in Hong Kong; (ii) the Works Technical Circulars of Green Government Building to integrate green features in government managed buildings; and (iii) the Energy Saving Plan (《香港都市節能藍圖》) to cap the energy consumption of buildings and form the basis of general development schemes or reports related to the energy saving strategy in Hong Kong. It imposes a mandatory requirement on new government buildings with construction floor area of more than 5,000 square metres with central air-conditioning or more than 10,000 square metres to achieve at least BEAM Plus Gold. The Hong Kong Housing Authority also requires public housing development to obtain BEAM Plus Gold award or above to distinct green housing design. According to the Residential Properties (First-hand Sales) Ordinance (《一手住宅物業銷售條例》) (Chapter 621 of the laws of Hong Kong), a BEAM Plus certification is required in order to obtain the concession on gross floor area for certain green and amenity features in development projects.



Management Discussion and Analysis

Business Review

The Company'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 55.0%, 25.1%, 14.1% and 5.8% to the Group's overall revenue for the six months ended 30 September 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 has commenced in April 2017 and it is expected to complete within one year. The Board is of the view that the Engagement will enable the Group to leverage on its technical competency to set another key milestone of the Group's green building certification consultancy business.

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 30 September 2017, the Group had 133 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 30 September 2017, the Group had 62 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 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 30 September 2017, the Group had 37 projects on hand which were mainly from property developers, architects and designers.

ESG Reporting and Consultancy

This segment provides companies listed in Hong Kong 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, formulating ESG implementation plan, to the preparation of an ESG report. As at 30 September 2017, the Group had 24 projects on hand across various industries.

Prospects

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

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

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

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

Management Discussion and Analysis

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

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

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

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

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



Management Discussion and Analysis

(4) Expand through mergers and acquisitions in Hong Kong

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

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

Financial Review

Revenue

The total revenue of the Group increased by approximately HK\$1.8 million from approximately HK\$16.8 million for the six months ended 30 September 2016 to approximately HK\$18.6 million for the six months ended 30 September 2017, representing an increase of approximately 10.4%, amongst which: (1) the revenue of green building certification consultancy increased by approximately 1.9% from approximately HK\$10.0 million for the six months ended 30 September 2016 to approximately HK\$10.2 million for the six months ended 30 September 2017; (2) the revenue of sustainability and environmental consultancy increased by approximately 32.4% from approximately HK\$3.5 million for the six months ended 30 September 2016 to approximately HK\$4.7 million for the six months ended 30 September 2017; and (3) the revenue of acoustics, noise and vibration control and audio-visual design consultancy increased by approximately 27.2% from approximately HK\$2.1 million for the six months ended 30 September 2016 to approximately HK\$2.6 million for the six months ended 30 September 2017. The increases in revenue of the above business segments were mainly attributable 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 11.1% from approximately HK\$1.2 million for the six months ended 30 September 2016 to approximately HK\$1.1 million for the six months ended 30 September 2017, which was due to substantial works of on-going ESG reporting and consultancy projects as of 30 September 2017 having been scheduled in the second half of the year.



Management Discussion and Analysis

The table below sets forth the breakdown of the revenue by segment for each of the six months ended 30 September 2016 and 2017:

	Unaudited Six months ended 30 September					
	2017		2016		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	10,220	55.0	10,030	59.7	190	1.9
Sustainability and environmental consultancy	4,661	25.1	3,521	20.9	1,140	32.4
Acoustics, noise and vibration control and audio-visual design consultancy	2,610	14.1	2,052	12.2	558	27.2
ESG reporting and consultancy	1,077	5.8	1,212	7.2	(135)	(11.1)
Total	18,568	100.0	16,815	100.0	1,753	10.4

Cost of Services Provided and Gross Profit

The majority of the Group's cost of services provided comprised subcontracting cost and direct labour cost. Our cost of services provided increased by approximately 8.6% from approximately HK\$8.1 million for the six months ended 30 September 2016 to approximately HK\$8.8 million for the six months ended 30 September 2017, which was in line with the increase in revenue.

The Group's gross profit increased by approximately 11.4% from approximately HK\$8.8 million for the six month ended 30 September 2016 to approximately HK\$9.8 million for the six months ended 30 September 2017. The increase in the gross profit was mainly due to the substantial progress of the contract services work of the Group's on-going projects attained during the six months ended 30 September 2017.

Administrative Expenses

The Group's administrative expenses decreased by approximately 52.9% from approximately HK\$17.2 million for the six months ended 30 September 2016 to approximately HK\$8.1 million for the six months ended 30 September 2017, which was mainly due to the non-incurrence of any listing expenses for the six months ended 30 September 2017 (for the six months ended 30 September 2016: listing expenses of approximately HK\$12.5 million), despite additional operating costs of approximately HK\$3.4 million for team expansion in order to cope with future development, such as staff cost, legal and professional fees and rental expenses for the six months ended 30 September 2017.



Management Discussion and Analysis

Profit Attributable to the Owners of the Company

The profit of the Group was approximately HK\$1.4 million for the six months ended 30 September 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\$1.8 million from approximately HK\$16.8 million for the six months ended 30 September 2016 to approximately HK\$18.6 million for the six months ended 30 September 2017 and (2) the non-incurrence of any listing expenses for the six months ended 30 September 2017 whereas listing expenses of approximately HK\$12.5 million were incurred in the six months ended 30 September 2016.

Net Cash Used in Operating Activities

Our net cash used in operating activities for the six months ended 30 September 2017 was approximately HK\$6.1 million which was improved from HK\$9.7 million for the six months ended 30 September 2016 and was mainly attributed to the non-incurrence of any listing expenses for the six months ended 30 September 2017.

Liquidity, Financial Resources and Capital Structure

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

The Group requires cash primarily for working capital needs. As at 30 September 2017, the Group had approximately HK\$34.5 million in cash and bank balances (as at 31 March 2017: approximately HK\$39.1 million), representing a decrease of approximately HK\$4.6 million as compared to those as at 31 March 2017.

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's bank borrowings (including short-term bank loan) as appropriate. The bank borrowings are secured, repayable on demand and denominated in Hong Kong dollars, and bear interest at a floating rate. As at 30 September 2017, the Group had banking facilities in an aggregate amount of approximately HK\$10.1 million, of which approximately HK\$4.7 million was unutilised.

With cash on hand and available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.



Management Discussion and Analysis

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

Employees and Remuneration Policies

As at 30 September 2017, the Company had a total of 54 employees (31 March 2017: 51). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

On the Listing Date, the issued Shares were listed on the GEM. The initial public offering by way of placing was welcomed by investors. As stated in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 30 September 2016 (the "Prospectus"), the Group intended to use the proceeds for (i) establishment of subsidiaries, co-operation with other third parties, and/or acquisition in order to expand to the PRC market; (ii) expansion through mergers and acquisitions of other market players in the environmental data collection/monitoring industry and ecology industry in Hong Kong with an aim to vertically integrate with the business of the Group; (iii) further expansion of the Group's business on ESG reporting and consultancy; (iv) expansion of the Group's in-house project team; and (v) funding for the Group's working capital and other general corporate purposes. 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 30 September 2017, the net listing proceeds have been applied and utilized as follows:

Use of net proceeds	Adjusted planned use of net proceeds# (HK\$'000)	Approximate percentage of total net proceeds	Adjusted planned use of net proceeds up to 30 September 2017* (HK\$'000)	Actual use of net proceeds up to 30 September 2017 (HK\$'000)	Unused net proceeds up to 30 September 2017 (HK\$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries	13,358	40%	7,098 ^(Note 1)	28	13,330
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%	2,816 ^(Note 1)	603	6,076
Further strengthen and expand the Group's in-house team of professional staff	5,010	15%	2,097	1,884	3,126
Provide funding for the Group's working capital and other general corporate purposes	1,670	5%	N/A ^(Note 2)	1,670	–
Total	33,396	100%	–	4,185	29,211

Note 1: The actual use of net proceeds up to 30 September 2017 was less than the adjusted planned use of net proceeds up to 30 September 2017 as a result of the expansion into the PRC market and the expansion of ESG reporting and consultancy business was slower than expected.

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

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

* The planned use of net proceeds up to 30 September 2017 has been adjusted in the same proportion and the same manner as stated in the Prospectus due to the difference between the estimated net proceeds as stated in the Prospectus and the actual net proceeds received.

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



Management Discussion and Analysis

Gearing Ratio

The gearing ratio of the Group, calculated as total borrowings divided by total assets, was approximately 1.8% as at 30 September 2017 (31 March 2017: Nil).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, 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 during the six months ended 30 September 2017.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 September 2017. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant Investments and Future Plans for Material Investments and Capital Assets

As at 30 September 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 six months ended 30 September 2017.



Management Discussion and Analysis

Corporate Guarantee and Pledge of Assets

As at 30 September 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 30 September 2017.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

Capital Commitments

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

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.

Principal Risks and Uncertainties

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

Management Discussion and Analysis

1. Reliance on bidding for revenue

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

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

- (i) submitted bidding for other types of properties (e.g. infrastructure projects) in the sustainability and environmental consultancy sector;
- (ii) encouraged its project team members to obtain the new certifications in the green building certification consultancy sector as clients may award extra score to companies with certified staff, thereby increasing the Company's competitiveness and successful rate in bidding; and
- (iii) extended its scope of services to lighting design projects in the acoustic, noise and vibration control, and audio-visual designs sector.

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

To diversify the Company's reliance on bidding for new business, the Company also sends its project team members to team up with engineering consultancy companies in the industry as it planned to venture to provide services for other types of property in the sector of sustainability and environmental consultancy.



Management Discussion and Analysis

2. Keen competition

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

In addition to its efforts in securing bids, the Group also explores business opportunities actively. The Group sends its project team members to team up with engineering consultancy companies in the industry as it planned to venture to provide services for other types of property in the sector of sustainability and environmental consultancy.

3. Additional operating costs for team expansion

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

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

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

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



Corporate Governance and Other Information

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| 5. Period within which the securities must be taken up under an option | An option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant as may be determined by the Directors provided that no option may be exercised after the expiry of 10 years from the date of grant. |
| 6. Minimum period for which an option must be held before it can be exercised | There is no such requirement imposed by the Share Option Scheme, provided that the Directors may impose such requirement upon grant of the option. |
| 7. Amount payable on acceptance of the options | Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. |
| 8. Exercise price of Shares | The exercise price must not be less than the highest of: <ul style="list-style-type: none">(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant;(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and(iii) the nominal value of a Share. |
| 9. Remaining life of the scheme | Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme will expire on 22 September 2026. |



Corporate Governance and Other Information

Share Award Scheme

On 8 February 2017, the 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 in accordance with the terms of the Share Award Scheme and entitled to receive an award of Shares thereunder. For more details, please refer to the announcements of the Company dated 8 February 2017, 24 March 2017 and 31 March 2017. During the six months ended 30 September 2017, no further Shares were purchased by BOCI and no Shares were awarded to any participants.

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

As at 30 September 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:



Corporate Governance and Other Information

Interests in the Company

Name of Directors	Capacity	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 under the SFO.

Interests in the Associated Corporation

Name of associated corporation	Name of Directors	Capacity	Number and class of shares held	Total	Approximate 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.

Corporate Governance and Other Information

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

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

As far as the Directors are aware, as at 30 September 2017, 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 30 September 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.

Rights to Acquire Shares or Debentures

At no time during the six months ended 30 September 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, mainly to the effect that at any time the Controlling Shareholders are interested, directly or indirectly, in 30% or more of the Shares, they will not, and will procure their respective close associates (other than members of the Group) except where the Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group, not to (1) directly or indirectly, either on their own account, in conjunction with, on behalf of or through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest, provide any support to, financial or otherwise, or otherwise be interested, involved or engaged in or concerned with any business that directly or indirectly competes with the Restricted Business (as defined below), or acquire or hold shares or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any companies or business that compete directly or indirectly with the Restricted Business (as defined below); and (2) engage, invest, participate or be interested (economically or otherwise) in any business involving the provisions of consultancy services in respect of (i) green building certification consultancy; (ii) sustainability consultancy and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy (the "Restricted Business").



Corporate Governance and Other Information

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

Directors' Interest in Competing Business

Save and except for the interests of the Directors in the Company and its subsidiaries, during the six months ended 30 September 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 is no chief executive of the Company. The Board considers that such arrangement has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Furthermore, with respect to code provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules and the applicable laws. As disclosed in the corporate governance report of the Company's annual report 2017, the Board noted that certain Directors might not have been provided with the financial information on a monthly basis 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 six months ended 30 September 2017, the Company has complied with all the code provisions of the CG Code.



Corporate Governance and Other Information

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (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 six months ended 30 September 2017.

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

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

Audit Committee

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

Corporate Governance and Other Information

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

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

Hong Kong, 13 November 2017

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

