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

FIRST 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

Revenue of the Company and its subsidiaries (the "Group") for the three months ended 30 June 2018 amounted to approximately HK$7.4 million while gross profit of the Group for the same period amounted to approximately HK$2.7 million.

The net loss after tax of the Group for the three months ended 30 June 2018 amounted to approximately HK$2.2 million, as compared with the net profit after tax of approximately HK$1.3 million for the three months ended 30 June 2017, mainly attributed to (i) the decrease in the total revenue of the Group by approximately HK$2.4 million from approximately HK$9.8 million for the three months ended 30 June 2017 to approximately HK$7.4 million for the three months ended 30 June 2018; (ii) unrealised (non-cash) loss arising from the adverse fair value change of the financial assets at fair value through profit or loss; and (iii) additional administrative expenses of approximately HK$0.6 million were incurred for team expansion in order to cope with future development, such as legal and professional fees and rental expenses for the three months ended 30 June 2018.

The board of Directors (the "Board") has resolved not to declare the payment of any interim dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

Unaudited Condensed Consolidated Statements

The Board announces the unaudited first quarterly consolidated results of the Group for the three months ended 30 June 2018, together with the relevant comparative unaudited figures, which have not been reviewed by the independent auditor but have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2018

		Unaudited Three months ended 30 June	
	Note	**2018 HK$'000**	2017 HK$'000
Revenue	5	**7,390**	9,778
Cost of services provided		**(4,652)**	(4,257)
Gross profit		**2,738**	5,521
Other income and gains		**1**	1
Administrative expenses		**(4,567)**	(3,994)
Finance costs	6	**(42)**	–
Unrealised loss of financial asset		**(759)**	–
(Loss)/Profit before tax	7	**(2,629)**	1,528
Income tax credit/(expenses)	8	**419**	(260)
(Loss)/Profit and total comprehensive income for the period		**(2,210)**	1,268
Dividends	10	**–**	–
(Loss)/profit for the period		**(2,210)**	1,268
Basic (loss)/earnings per share (HK cent)	9	**(0.18)**	0.11
Other comprehensive income for the period, net of tax			
– Change in fair value of available-for-sale financial assets		**–**	(372)
Total comprehensive income for the period attributable to owners of the Company		**(2,210)**	896

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2018

	Wholly attributable to owners of the Company					
	Issued capital HK$'000	Other reserve HK$'000	Revaluation reserve HK$'000	Shares held under share award scheme HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2017	12,000	61,102	(151)	(4,099)	13,057	81,909
Profit for the period and Other comprehensive income	–	–	(372)	–	1,268	896
At 30 June 2017	12,000	61,102	(523)	(4,099)	14,325	82,805
At 31 March 2018	**12,000**	**61,102**	**(410)**	**(4,099)**	**8,962**	**77,555**
Impact on initial application of HKFRS 9	**–**	**–**	**410**	**–**	**(493)**	**(83)**
Adjusted balance at 1 April 2018	**12,000**	**61,102**	**–**	**(4,099)**	**8,469**	**77,472**
Loss for the period	**–**	**–**	**–**	**–**	**(2,210)**	**(2,210)**
At 30 June 2018	**12,000**	**61,102**	**–**	**(4,099)**	**6,259**	**75,262**

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2018

1. Corporate Information and Basis of Presentation

(a) General information

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

The Company is an investment holding company. During the three months ended 30 June 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 Hong Kong dollars ("HK$'000"), unless otherwise stated.

(b) Basis of Presentation

The condensed consolidated financial statements of the Group for the three months ended 30 June 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 issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 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.

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

1. Corporate Information and Basis of Presentation (Continued)

(b) Basis of Presentation (Continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in note 4.

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

2. Accounting Policies

The condensed consolidated financial statements have 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.

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	**(99)**
– Related tax	**16**
Net decrease in retained earnings at 1 April 2018	**(493)**

Revaluation reserve

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

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.

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.

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.

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.

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.

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 30 June	
	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	**2,519**	5,135
Sustainability and environmental consultancy	**2,940**	2,794
Acoustics, noise and vibration control and audio-visual design consultancy	**1,177**	1,294
ESG reporting and consultancy	**754**	555
	7,390	9,778

6. Finance Costs

	Unaudited Three months ended 30 June	
	2018 HK$'000	2017 HK$'000
Interest on a bank loan and bank overdrafts	**(42)**	–

7. (Loss)/Profit Before Tax

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

	Unaudited Three months ended 30 June	
	2018 HK$'000	2017 HK$'000
Depreciation	**116**	101
Employee benefit expense: (including Directors' remuneration)		
– Wages and salaries	**4,578**	4,420
– Pension scheme contributions (defined contribution scheme)	**180**	187
	4,874	4,708
Minimum lease payments under operating leases for land and buildings	**984**	772

8. Income Tax Credit/(Expenses)

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 June	
	2018 HK$'000	2017 HK$'000
Current – Hong Kong		
(Credit)/charge for the period	**(423)**	259
Current – PRC		
Charge for the period	**–**	11
Deferred tax	**4**	(10)
Total tax (credit)/charge for the period	**(419)**	260

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 30 June	
	2018	2017
	HK$'000	HK$'000
(Loss)/profit		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(2,210)**	1,268

	As at 30 June	
	2018	2017
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,200,000**	1,184,000

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 interim dividend in respect of the three months ended 30 June 2018 (Nil for the three months ended 30 June 2017).

Industry Review

The Group sees potential opportunities of providing green building certification consultancy and sustainability and environmental consultancy services with the metropolisation and surging population in Hong Kong. The Environmental Protection Department of Hong Kong, along with other related government departments, have implemented various laws regulating environmental issues, such as the Environmental Impact Assessment Ordinance (《環境影響評估條例》) (Chapter 499 of the laws of Hong Kong) which has made environmental impact assessment report a mandatory requirement before the construction and operation of various types of designated projects. Moreover, environmental assessment usually forms part of the planning application under the Town Planning Ordinance (《城市規劃條例》) (Chapter 131 of the laws of Hong Kong) or is required as one of the conditions of development projects.

The Buildings Energy Efficiency Ordinance (《建築物能源效益條例》) (Chapter 610 of the laws of Hong Kong) imposes mandatory control required for building development works in Hong Kong on building developers and owners. It indicates the importance of energy saving performance of both public and residential buildings and leads to a demand for sustainability and environmental consultancy and green building certification consultancy services. The Hong Kong Government also issued (i) the Practice Note of Sustainable Building Design Guidance to enhance the quality and sustainability of the built environment in Hong Kong; (ii) the Works Technical Circulars of Green Government Building to integrate green features in government managed buildings; and (iii) the Energy Saving Plan (《香港都市節能藍圖》) to cap the energy consumption of buildings and form the basis of general development schemes or reports related to the energy saving strategy in Hong Kong. It imposes a mandatory requirement on new government buildings with construction floor area of more than 5,000 square metres with central air-conditioning or more than 10,000 square metres to achieve at least BEAM Plus Gold. The Hong Kong Housing Authority also requires public housing development to obtain BEAM Plus Gold award or above to distinct green housing design. According to the Residential Properties (First-hand Sales) Ordinance (《一手住宅物業銷售條例》) (Chapter 621 of the laws of Hong Kong), a BEAM Plus certification is required in order to obtain the concession on gross floor area for certain green and amenity features in development projects.

Business Review

The Company's subsidiaries are specialised in providing (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy. The four business segments contributed approximately 34.1%, 39.8%, 15.9% and 10.2% to the Group's overall revenue for the three months ended 30 June 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 30 June 2018, the Group had 142 (as at 30 June 2017: 116) 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 June 2018, the Group had 60 (as at 30 June 2017: 81) 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 30 June 2018, the Group had 51 (as at 30 June 2017: 40) projects on hand which were mainly from property developers, architects and designers.

ESG Reporting and Consultancy

This segment provides companies listed on the Stock Exchange with consultancy on ESG reporting, which is required by the Stock Exchange to encourage listed companies to identify and disclose additional ESG issues and key performance indicators that are non-financial information but reflect significant environmental and social impacts, and ultimately influence the assessments and decisions of stakeholders. The Group provides a one-stop solution from identifying the material aspects of ESG issues and formulating ESG implementation plan to the preparation of an ESG report. As at 30 June 2018, the Group had 31 (as at 30 June 2017: 20) projects on hand across various industries.

Prospects

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.

Furthermore, the Group will contribute to (i) establish and facilitate a member alliance of greener technologies and products that benefit the environment in order to accelerate and support their implementation, advancement and adoption; (ii) stimulate and support growth, including in the area of employment, in this evolving and expanding technological and production field; and (iii) identify, endorse and promote existing and emerging greener innovative technologies and related products to all sectors including the general public. Further, the Group is planning to develop its business in green building services and solutions and green products by using its internal working capital.

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 the GEM which is engaged in the provision of extra-low 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.

* *For identification only*

Financial Review

Revenue

The total revenue of the Group decreased from approximately HK$9.8 million for the three months ended 30 June 2017 to approximately HK$7.4 million for the three months ended 30 June 2018, representing a decrease of 24.5%. As at 30 June 2018, the Group had 305 projects on hand, the aggregate contract sum of which amounted to HK$119 million approximately.

The revenue of green building certification consultancy significantly decreased by 51.0% from approximately HK$5.1 million for the three months ended 30 June 2017 to approximately HK$2.5 million for the three months ended 30 June 2018, which was resulted from (i) the slowdown of progresses of the projects; (ii) keen competition and (iii) the general decrease in the bidding price in this segment.

The revenue of sustainability and environmental consultancy increased by 3.6% from approximately HK$2.8 million for the three months ended 30 June 2017 to approximately HK$2.9 million for the three months ended 30 June 2018. Such improvement in revenue was attributable to the substantial progress achieved in the projects in this segment.

The revenue of acoustics, noise and vibration control and audio-visual design consultancy decreased by approximately 7.7% from approximately HK$1.3 million for the three months ended 30 June 2017 to approximately HK$1.2 million for the three months ended 30 June 2018 which was mainly due to the slowdown of progresses of the projects and keen competition in this segment.

The revenue of ESG reporting and consultancy significantly increased by 33.3% from approximately HK$0.6 million for the three months ended 30 June 2017 to approximately HK$0.8 million for the three months ended 30 June 2018, which was due to the substantial progress achieved in the projects in this segment.

The table below sets forth the breakdowns of the turnover by segments for the three months ended 30 June 2017 and 2018 respectively:

	Three months ended 30 June					
	2018		2017		Increase/(decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Green building certification consultancy	**2,519**	**34.1**	5,135	52.5	(2,616)	(51.0)
Sustainability and environmental consultancy	**2,940**	**39.8**	2,794	28.6	146	3.6
Acoustics, noise and vibration control and audio-visual design consultancy	**1,177**	**15.9**	1,294	13.2	(117)	(7.7)
ESG reporting and consultancy	**754**	**10.2**	555	5.7	199	33.3
Total	**7,390**	**100.0**	9,778	100.0	(2,388)	(24.4)

Administrative Expenses

The Group's administrative expenses increased by approximately 14.3% from approximately HK$4.0 million for the three months ended 30 June 2017 to approximately HK$4.6 million for the three months ended 30 June 2018, which was mainly due to additional expenses incurred for team expansion in order to cope with future development, such as staff cost, legal and professional fees and rental expenses for the three months ended 30 June 2018.

Loss Attributable to the Owners of the Company

The loss of the Group was approximately HK$2.2 million for the three months ended 30 June 2018 as compared to the profit of approximately HK$1.3 million for the corresponding period in 2017, mainly attributed to (i) the decrease in the total revenue of the Group by approximately HK$2.4 million from approximately HK$9.8 million for the three months ended 30 June 2017 to approximately HK$7.4 million for the three months ended 30 June 2018; (ii) unrealised (non-cash) loss arising from the adverse fair value change of the financial assets at fair value through profit or loss; and (iii) additional administrative expenses of approximately HK$0.6 million were incurred for team expansion in order to cope with future development, such as legal and professional fees and rental expenses for the three months ended 30 June 2018.

Use of Proceeds from the Listing

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

As at 30 June 2018, the net proceeds had been applied and utilized as follows:

Use of net proceeds	Adjusted planned use of net proceeds# (HK$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds up to 30 June 2018 (HK$'000)	Unused net proceeds up to 30 June 2018 (HK$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries	13,358	40%	45	13,313
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%	3,533	3,146
Further strengthen and expand the Group's in-house team of professional staff	5,010	15%	4,300	710
Provide funding for the Group's working capital and other general corporate purposes	1,670	5%	1,670	–
	33,396	100%	9,548	23,848

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.

On 9 August 2018, the Company has resolved to change the use of net proceeds. Details of the revised allocation of the net proceeds 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 is adjusted downward because under the recent preliminary term-sheet discussion in relation to an acquisition of a target company, the cash consideration is 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) is applied towards the Group's working capital and general corporate purposes since the Company anticipates that it is unlikely to identify another suitable acquisition target in the near future.
Total	33,396	100%	9,770	23,626		23,626	

The Board constantly evaluates the trends of environmental consultancy and environmental, social and governance ("ESG") consultancy industry and the global economic condition to determine the most efficient and effective method to deploy the Group's resources. Prior to listing, the Company originally planned to expand ESG consultancy business by setting up a team specialised on ESG consultancy which include an associate director, principal consultants and consultants. After listing and continuous operation of ESG consultancy business, it transpired that it would be more effective to expand both environmental consultancy and ESG consultancy business when the resources are combined because the professional staff have similar background and knowledge and they can work across the ESG and environmental sector according to the project timeline. The Board believes that there will be a continuing demand for both environmental consultancy and ESG consultancy services.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars and does not have significant foreign currency exposure. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivables management, etc. The Company did not engage in any derivatives agreement and did not commit any financial instruments to hedge its foreign exchange exposure as at 30 June 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 three months ended 30 June 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.

Significant Investments and Future Plans for Material Investments and Capital Assets

As at 30 June 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 three months ended 30 June 2018.

Corporate Guarantee and Pledge of Assets

As at 30 June 2018, the Group's bank borrowings were guaranteed or secured by its assets below:

(i) corporate guarantees provided by the Company; and

(ii) the pledge of the Group's bank deposits of approximately HK$5 million as at 30 June 2018 (31 March 2018: HK$5 million).

Contingent Liabilities and Capital Commitments

The Group had no significant contingent liabilities and capital commitments as at 30 June 2018.

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

Financial Risk Management

Risk management is carried out by the Company's finance department in accordance with the policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for the overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non- derivative financial instruments, and investment of excess liquidity.

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 30 June 2018, and no options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme during the three months ended 30 June 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 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 April 2018, Administration Committee has resolved to grant 12,100,000 shares ("the Grant Shares") to Selected Participant. The vesting of the Grant Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any of its subsidiary.

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 June 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:

Interests in the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Ms. Kwok May Han Grace ("Ms. Kwok") (Note)	Interest of a controlled corporation, Beneficial owner and Interest of spouse	723,041,600 (long position)	60.25%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse and Beneficial owner	723,041,600 (long position)	60.25%

Note: These Shares are held by Gold Investments Limited ("Gold Investments"), a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Kwok, the executive Director and the chairman of the Board and 30% by Mr. Wu, the non-executive Director and the husband of Ms. Kwok. Accordingly, Ms. Kwok is deemed to be interested in such Shares held by Gold Investments under the SFO, and Mr. Wu is deemed to be interested in such Shares held by Ms. Kwok under the SFO.

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.

Save as disclosed above, as at 30 June 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 30 June 2018, the following person (other than a Director or chief executive of the Company) or entities had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Notes:

1. Gold Investments is a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Kwok and 30% by Mr. Wu.

2. City Beat is a company incorporated in the BVI and is wholly owned by Ocean Equity Partners Fund II L.P. which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund II L.P. is Ocean Equity Partners Fund II GP Limited. Accordingly, each of Ocean Equity Partners Fund II L.P. and Ocean Equity Partners Fund II GP Limited was deemed to be interested in the same parcel of Shares held by City Beat.

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

During the three months ended 30 June 2018, none of the Controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which 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 three months ended 30 June 2018, none of the Directors had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with its business.

Corporate Governance Code

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

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

Save as disclosed above, during the three months ended 30 June 2018, the Company has complied with all the code provisions of the CG Code.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Securities Code") on terms no less exacting than the Required Standard of Dealings. Following the specific enquiries made by the Company on the Directors, all Directors confirmed that they had complied with the Required Standard of Dealings and the Securities Code during the three months ended 30 June 2018.

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 three months ended 30 June 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 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 June 2018 and up to the date of this report.

Change of Directors 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.

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.

Important Event After the Reporting Period

From 10 July 2018 to 13 July 2018, BOCI as the trustee of the share award scheme had purchased an aggregate of 4,000,000 issued Shares on the Stock Exchange to hold on trust for the Selected Participant(s) selected by the administration committee.

On 17 July 2018, the Group has sold 2,816,000 Shares of Sanbase Corporation Limited (Stock code: 8501) ("Sanbase"), representing approximately 1.41% of the entire issued share capital of Sanbase at an aggregate consideration of HK$4,392,960 at the selling price of HK$1.56 per Share to the Purchaser. Immediately after the Disposal, the Group owns approximately 1.13% of the entire issued share capital of Sanbase.

On 9 August 2018, the Company has resolved to change the use of the net proceeds from the listing of the Company, details of which are disclosed on page 23 of 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 August 2018

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