



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



2016

THIRD QUARTERLY REPORT



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This report, for which the directors (the "Directors") of Allied Sustainability and Environmental Consultants Group Limited (the "Company") 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 Group for the nine months ended 31 December 2016 amounted to approximately HK\$23.3 million while gross profit of the Group for the same period amounted to approximately HK\$12.0 million.

The net loss after tax of the Group for the nine months ended 31 December 2016 amounted to approximately HK\$9.1 million, mainly due to the listing expenses of approximately HK\$12.5 million incurred by the Company during the period.

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



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

The Board announces the unaudited third quarterly consolidated results of the Company and its subsidiaries (the "Group") for the nine months and three months ended 31 December 2016, together with the comparative figures for the corresponding period in 2015, which have not been reviewed by the auditor but have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2016

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	5	6,497	6,487	23,312	20,929
Cost of services provided		(3,263)	(2,595)	(11,320)	(8,854)
Gross profit		3,234	3,892	11,992	12,075
Other income and gains		18	-	18	560
Administrative expenses		(3,232)	(4,014)	(20,388)	(10,004)
Finance costs	6	(4)	(2)	(12)	(8)
(Loss)/Profit before tax	7	16	(124)	(8,390)	2,623
Income tax expenses	8	(14)	(339)	(713)	(1,201)
(Loss)/Profit and total comprehensive income for the period		2	(463)	(9,103)	1,422
Dividends	10	-	-	2,800	-
(Loss)/Profit for the period		2	(463)	(9,103)	1,422
Basic (loss)/earnings per share (HK cents)	9	-	(0.04)	(0.76)	0.12
Other comprehensive income for the period, net of tax					
- Change in fair value of available-for-sale financial assets		(186)	-	(186)	-
Total comprehensive (loss)/income for the period attributable to owners of the Company		(184)	(463)	(9,289)	1,422

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Issued capital HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2015	388	10,610	–	16,497	27,495
Profit and total comprehensive income for the period	–	–	–	1,422	1,422
Capital contribution from shareholders of AEC Group Limited ("AEC BVI")	36	10,814	–	–	10,850
At 31 December 2015	424	21,424	–	17,919	39,767
At 1 April 2016	424	21,424	–	21,945	43,793
Loss and total comprehensive income for the period	–	–	(186)	(9,103)	(9,289)
Issue of shares	2,040	55,080	–	–	57,120
Capitalisation issue of shares	9,960	(9,960)	–	–	–
Transaction costs directly attributable to issue of shares	–	(5,812)	–	–	(5,812)
Arising from group reorganisation	(424)	424	–	–	–
Dividends	–	–	–	(2,800)	(2,800)
At 31 December 2016	12,000	61,156	(186)	10,042	83,012



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2016

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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the nine months ended 31 December 2016 (the "Reporting Period"), the Company's subsidiaries were principally engaged in the provision of consultancy services relating to green building certification consultancy, sustainability and environmental consultancy, acoustics, noise and vibration control and audio-visual design consultancy and environmental, social and governance ("ESG") reporting consultancy in Hong Kong, Macau and the mainland of the People's Republic of China ("Mainland China" or the "PRC").

The Company was listed on 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 Presentation

The condensed consolidated financial statements of the Group for the nine months ended 31 December 2016 (the "Financial Information") comprise the Company and its subsidiaries (the "Group").

The Company was incorporated in the Cayman Islands on 11 November 2015. On 22 September 2016, as part of the reorganisation set out in the section "History, development and reorganisation" (the "Reorganisation") in the prospectus of the Company dated 30 September 2016 ("the Prospectus"), the entire issued share capital of 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, the Company became the parent company of AEC BVI and its subsidiaries and the holding company of the Group.

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 ("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 for 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 for 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 consolidated 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 2014 and throughout the entire Reporting Period.

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

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2016

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

(b) Basis of Presentation (Continued)

On 22 September 2016, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange by each of the shareholders of AEC BVI transferred all their respective shares in AEC BVI to the Company.

The 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.

2. Basis of Preparation

This condensed consolidated financial information for the nine months ended 31 December 2016 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 'Interim financial reporting'.

In the nine months ended 31 December 2016, the Group has applied, for the first time, new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the accounting period beginning on or after 1 April 2016.

The application of the new amendments to HKFRSs in the nine months ended 31 December 2016 has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group early adopted HKFRS 15 with a date of initial application of 1 April 2014. The Group's accounting policies with respect to revenue recognition are set out in note 4 in the accountants' report for inclusion in the Prospectus.

HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

3. Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 31 December 2016 are the same as those followed in the preparation of the Financial Information of the Group for two years ended 31 March 2016 included in accountants' report for inclusion in the Prospectus.



Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2016

4. Significant Accounting Estimates

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

Estimation uncertainty

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

Revenue

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

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

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 condition, 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;

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2016

5. Revenue (Continued)

- (c) Acoustics, noise and vibration control and audio-visual design consultancy segment involves designs for architectural acoustic, mechanical vibration, noise control and audio-visual systems; and
- (d) ESG reporting and consultancy segment involves ESG reporting and consultancy.

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
An analysis of the Company's revenue during the period is as follows:				
Revenue from provision of				
Green building certification consultancy	2,724	3,629	12,754	12,431
Sustainability and environmental consultancy	2,163	1,932	5,684	5,107
Acoustics, noise and vibration control and audio-visual design consultancy	667	730	2,719	3,195
ESG reporting and consultancy	943	196	2,155	196
	6,497	6,487	23,312	20,929

6. Finance Costs

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interest on a bank loan and bank overdrafts	4	2	12	8



Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2016

7. (Loss)/Profit Before Tax

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Depreciation	84	63	180	174
Employee benefit expense: (including director's remuneration)				
– Wages and salaries	3,932	2,484	11,125	7,271
– Pension scheme contributions (defined contribution scheme)	152	116	433	356
	4,168	2,663	11,738	7,801
Minimum lease payments under operating leases for land and buildings	808	628	2,045	1,698
Gain on disposal of items of property, plant and equipment	–	–	–	560

8. Income Tax

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current – Hong Kong (Credit)/charge for the period	(59)	327	585	1,151
Current – PRC Charge for the period	11	12	31	66
Deferred tax	62	–	97	(16)
Total tax charge for the period	14	339	713	1,201

Notes to the Condensed Consolidated Financial Information

For the nine months ended 31 December 2016

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

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
(Loss)/earnings				
(Loss)/earnings for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	2	(463)	(9,103)	1,422
	As at 31 December		As at 31 December	
	2016 '000	2015 '000	2016 '000	2015 '000
Number of shares				
Number of ordinary shares for the purpose of basic (loss)/earnings per share	1,200,000	1,200,000	1,200,000	1,200,000

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (details as disclosed in note 1b) had been effective on 1 April 2015.

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

10. Dividends

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review By Segments

The Company is an environmental consulting company 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 Group derives the majority of its revenue from green building certification consultancy, and sustainability and environmental consultancy.

The continuous revenue growth of the Group is benefited from the increasing demand for green building certification consultancy and sustainability and environmental consultancy with its metropolisation and surging population. The Environmental Protection Department of Hong Kong, along with other related government departments, have implemented various laws regulating environment issues, such as the Environmental Impact Assessment Ordinance (Chapter 499 of the laws of Hong Kong) which 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 planning application under the Town Planning Ordinance (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 signifies 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 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 The Energy Saving Plan (《香港都市節能藍圖》) to cap the energy consumption of buildings and forms 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 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

In December 2016, six building projects, which the Group was involved in as the sustainability consultant and BEAM Professional, received award in the BEAM Plus Platinum Project Certification Ceremony 2016 which was jointly organized by The Hong Kong Green Building Council (HKGBC) and BEAM Society Limited (BSL). These award-winning projects are i) Towngas Headquarters "Existing Buildings V1.2 Final Platinum", ii) Hang Seng Management College Block B - Sports and Amenities Centre "New Buildings V1.1 Final Platinum", iii) Hang Seng Management College Block D - Lee Quo Wei Academic Building "New Buildings V1.1 Final Platinum", iv) Greenview Villa "New Buildings V1.1 Final Platinum", v) HSMC Jockey Club Residential Colleges "New Buildings V1.2 Final Platinum", and vi) Tsang Tsui Columbarium & Garden of Remembrance "New Buildings V1.2 Provisional Platinum". All six BEAM Plus Platinum-rated projects were accredited for their best practices in environmental performance, energy and water efficiency, waste reduction as well as innovative technology, transforming Hong Kong into a green and sustainable city. In these projects, the Group offered professional consultancy services for the environmental design of the building/infrastructure (such as daylight performance, air ventilation, thermal comfort, energy saving, material use, water saving and indoor environmental quality, etc.) and dedicated efforts in assisting its customers to create green value and achieve sustainable development.

The total revenue of the Group increased from approximately HK\$20.9 million for the nine months ended 31 December 2015 to approximately HK\$23.3 million for the nine months ended 31 December 2016, representing an increase of approximately 11.4%. The revenue of green building certification increased by 2.6% from approximately HK\$12.4 million for the nine months ended 31 December 2015 to approximately HK\$12.8 million for the nine months ended 31 December 2016. The revenue of sustainability and environmental consultancy increased by 11.3% from approximately HK\$5.1 million for the nine months ended 31 December 2015 to approximately HK\$5.7 million for the nine months ended 31 December 2016. The reason for the increase of revenue in both segments is mainly due to the substantial progress of the contract services work of the Group's on-going projects attained.

The revenue of acoustics, noise and vibration control and audio-visual design consultancy decreased by approximately 14.9% from approximately HK\$3.2 million for the nine months ended 31 December 2015 to approximately HK\$2.7 million for the nine months ended 31 December 2016.

The Group's ESG reporting and consultancy segment was established in November 2015. The revenue of ESG reporting and consultancy represents approximately 9.2% of the total revenue for the nine months ended 31 December 2016.



Management Discussion and Analysis

The table below sets forth the breakdowns of the turnover by segment for each of the nine months ended 31 December 2015 and 2016:

	Nine months ended 31 December					
	2016		2015		Increase (decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	12,754	54.7	12,431	59.4	323	2.6
Sustainability and environmental consultancy	5,684	24.4	5,107	24.4	577	11.3
Acoustics, noise and vibration control and audio-visual design consultancy	2,719	11.7	3,195	15.3	(476)	(14.9)
ESG reporting and consultancy	2,155	9.2	196	0.9	1,959	999.5
Total	23,312	100.0	20,929	100.0	2,383	11.4

Outlook/Prospect

Going forward, the Group will continue to attain its business objectives of maintaining a sustainable growth in its existing business segments and to be one of the leading service providers 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 businesses on one hand, and leveraging on our competitive strengths and advantages to further expand our business into the PRC market on the other hand. In early November 2016, the Group has incorporated 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 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. Besides, the Group is planning to develop its business in green constructions and green products by using its existing working capital.

* For identification only

Management Discussion and Analysis

In addition, the Group has the following strategies to achieve its business objectives:

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

Considering the rising awareness and promotion of green building and the growing urbanisation rate of the PRC, we believe that the demand for consultancy on green building certification and on sustainability and environmental consultancy will continue to increase. The incorporation of our wholly-owned subsidiary in the PRC, Qianhai Allied Environmental Consultants Shenzhen Company Limited, can help us to tap into the PRC market. The Group will continue to find new business partners in Mainland China with priority in densely populated cities such as Shanghai and Shenzhen.

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 synergy with its well-established operations in Hong Kong and achieve a larger scale of operation and geographical coverage.

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

The Stock Exchange has strengthened the ESG Reporting Guide in 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 set out in Appendix 27 to the Main Board Listing Rules and Appendix 20 to the GEM Listing Rules. As a listed company, the Company wishes to be one of the role models in ESG reporting. In the last few months, the Group has approached dozens of listed companies to explain the importance of corporate sustainability reporting and was successful in securing the engagement of a significant number of listed companies for the Group's professional services in this area. Series of marketing activities also further aroused their awareness of listed companies' impacts on the economy, environment and society.

In the future, in addition to ESG reporting and consultancy, the Group will spend more efforts on sustainability reporting based on other sustainability reporting frameworks, such as those from the Global Reporting Initiative (GRI), exploring even more substantial business opportunities in this entire business segment.



Management Discussion and Analysis

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

The Company believes that its staff is very important asset. 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 its existing in-house team so as to increase its capacity and resources in providing its services, such as ecological survey, which it has been outsourcing to its sub-contractors in the past. With the opening of its new office in November 2016, the Company can accommodate additional staff and establish a training room to conduct trainings, seminars, conferences and courses for its staff and clients.

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.

Furthermore, to the knowledge of the Directors, there has recently been a market trend for mergers and acquisitions where green building certification consultancy businesses were merged among themselves striking to benefit from a larger scale of operation, consolidation of resources, expansion of customer base and capture 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 11.4% from approximately HK\$20.9 million for the nine months ended 31 December 2015 to approximately HK\$23.3 million for the nine months ended 31 December 2016.

Administrative Expenses

The Group's administrative expenses increased by approximately 103.8% from approximately HK\$10.0 million for the nine months ended 31 December 2015 to approximately HK\$20.4 million for the nine months ended 31 December 2016, which was mainly due to the Company's incurrence of the listing expenses of approximately HK\$12.5 million and additional operating costs for team expansion in order to cope with future development.

Management Discussion and Analysis

Loss attributable to the owners of the Company

The loss of the Group was approximately HK\$9.1 million for the nine months ended 31 December 2016, whereas there was a profit of approximately HK\$1.4 million for the corresponding period in 2015, mainly due to the Company's incurrence of the listing expenses of approximately HK\$12.5 million during the nine months ended 31 December 2016. In addition to the non-recurring listing expenses, such loss was mainly attributable to the fact that, inter alia, (i) additional operating costs for team expansion in order to cope with future development; (ii) keen competition in the market resulted in a reduction in the general bidding price offered by competitors which in turn led to a decrease in the gross profit margin of the Group and the number of engagement secured by the Group; and (iii) the construction industry in general suffered from a slowdown unexpectedly.

Use of Proceeds from the Listing

On 17 October 2016, the shares of the Company were listed on GEM. The initial public offering by way of placing was welcomed by investors. As stated in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 September 2016 (the "Prospectus"), the Group intends to use the proceeds for (i) establishment of subsidiaries, co-operation with other third parties, and/or acquisition in order to expand to PRC market; (ii) expansion through mergers and acquisitions of other market players in the environmental data collection/monitoring industry and ecology industry in Hong Kong with an aim to vertically integrate with the business of the Group; (iii) further expansion of our business on ESG reporting and consultancy; and (iv) expansion of our in-house project team; and (v) funding for our working capital and other general corporate purposes. The Company intends to continue to apply the net proceeds in accordance with the proposed applications set out above. The net proceeds have not yet been applied to the above purposes as at the date of this report. The Company will deposit the unused net proceeds into short-term demand deposits with Hong Kong licensed banks.

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.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the nine months ended 31 December 2016. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.



Management Discussion and Analysis

Significant Investments and Future Plans for Material Investments and Capital Assets

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

Save as disclosed in the Prospectus and this report, there were neither significant investments held as at 31 December 2016 nor acquisitions and disposals of subsidiaries during the nine months ended 31 December 2016.

Commitments and Contingent Liabilities

The Group had no significant commitments and contingent liabilities as at 31 December 2016.

Financial Risk Management

Risk management is carried out by the Company's finance department under policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company did not engage in any derivatives agreement and did not commit any financial instruments to hedge its foreign exchange exposure as at 31 December 2016.

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 passed on 23 September 2016.

The Share Option Scheme is established to recognise and acknowledge the contributions the following eligible participants have or may have made to the Group (the "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 directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme will become valid and effective for a period of 10 years from 17 October 2016.

Management Discussion and Analysis

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group and 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.

No option has lapsed or has been granted, exercised or cancelled under the Share Option Scheme during the nine months ended 31 December 2016 and up to the date of this report. The Company did not have any outstanding share options, warrants and instruments convertible into the Shares as at 31 December 2016 and up to the date of this report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated corporations

As at 31 December 2016, 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 (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

Interests in the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of issued Shares
Ms. Kwok May Han Grace ("Ms. Kwok") (Note)	Interest of a controlled corporation	721,701,600 (long position)	60.14%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse	721,701,600 (long position)	60.14%

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.



Management Discussion and Analysis

Interests in the associated corporation

Name of associated corporation	Name of Directors	Capacity	Number and class 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 31 December 2016, 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 standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

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

As far as the Directors are aware, as at 31 December 2016, the following persons (other than a Director or chief executive of the Company) have or are deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Discussion and Analysis

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

Notes:

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

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who have interests or short positions in the Shares or underlying Shares which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than the Share Option Scheme, the Share Award Scheme (as defined hereinafter) and as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated corporations" above, at no time since the Listing Date 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 (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.



Management Discussion and Analysis

Interests in Competing Businesses

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

Since the Listing Date and up to the date of this report, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflict of interest with the Group.

The controlling shareholders of the Company have confirmed to the Company that from the Listing Date to the date of this report, they and their respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

Management Discussion and Analysis

Corporate Governance Code

The Company is committed to maintaining good corporate governance standard and procedures.

The Stock Exchange has promulgated the code provisions on Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. Since the Listing Date and up to the date of this report, the Group has complied with all the code provisions of the CG Code except for the following:

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 has been appointed the chairman of the Board 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.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries by the Company, all Directors confirmed that they had complied with the standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company since the Listing Date and up to the date of this report.

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

The Shares of the Company were listed on GEM on 17 October 2016. Neither did the Company redeem nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities during the period from the Listing Date to 31 December 2016 and up to the date of this report.

Interests of Compliance Adviser

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



Management Discussion and Analysis

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 independent non-executive Directors, 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.

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 for the nine months ended 31 December 2016 and this report.

Significant Events after the end of the Reporting Period

On 8 February 2017, the Company approved the adoption of a share award scheme (the "Share Award Scheme") to complement its human resources policy for enhancing staff welfares to ensure talents can be retained and their productivity and potentials can be elevated.

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

Hong Kong, 8 February 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 independent non-executive Directors are Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine.