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

ANNUAL REPORT 2017

PRINTED WITH SOY INK

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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.

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CORPORATE INFORMATION

Board of Directors

Executive Director

Kwok May Han Grace *(Chairman)*

Non-Executive Director

Wu Dennis Pak Kit

Independent Non-Executive Directors

Lam Kin Che
Lie Kong Sang
Wong Yee Lin Elaine

Company Secretary

Chong Hing Cheong *(CPA)*

Compliance Officer

Kwok May Han Grace

Board Committees

Audit Committee

Lie Kong Sang *(Chairman)*
Lam Kin Che
Wong Yee Lin Elaine

Nomination Committee

Kwok May Han Grace *(Chairman)*
Lie Kong Sang
Wong Yee Lin Elaine
Lam Kin Che

Remuneration Committee

Wong Yee Lin Elaine *(Chairman)*
Lie Kong Sang
Lam Kin Che
Wu Dennis Pak Kit

Environmental, Social and Governance Committee

Kwok May Han Grace *(Chairman)*
Wu Dennis Pak Kit
Lie Kong Sang
Lam Kin Che
Wong Yee Lin Elaine

Risk Management Committee

Kwok May Han Grace *(Chairman)*
Wu Dennis Pak Kit
Lie Kong Sang
Lam Kin Che
Wong Yee Lin Elaine

Authorised Representatives

Kwok May Han Grace
Chong Hing Cheong *(CPA)*

Company's Website

http://www.asecg.com

Auditor

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Prince's Building
10 Chater Road
Central
Hong Kong

Legal Adviser

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The Landmark
15 Queen's Road Central
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
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Grand Millennium Plaza
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Hong Kong

Registered Office

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Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business In Hong Kong

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6 Tonnochy Road
Wan Chai
Hong Kong

Corporate Information

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Des Voeux Road Central Branch
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Dah Sing Bank, Ltd.
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

8320

FINANCIAL HIGHLIGHTS

Revenue of the Group increased from approximately HK$32.5 million for the year ended 31 March 2016 to approximately HK$35.1 million for the year ended 31 March 2017, representing an increase of 8.0%. The increase in revenue was mainly due to the increase in revenue of ESG reporting and consultancy segment of approximately HK$3.7 million which was established in November 2015. Gross profit of the Group decreased by approximately 3.0% from approximately HK$20.0 million for the year ended 31 March 2016 to approximately HK$19.4 million for the year ended 31 March 2017. The decrease in the gross profit was mainly due to an increase in direct labour costs for team expansion in order to strengthen the Group's ability to secure bids and extend its scope of services.

The loss for the year of the Group for the year ended 31 March 2017 amounted to approximately HK$6.1 million, while there was a profit for the year of approximately HK$5.4 million for the year ended 31 March 2016, mainly due to the Group's incurrence of the listing expenses of approximately HK$12.5 million and the increment of administrative expenses of approximately HK$4.4 million during the year ended 31 March 2017.

The board of Directors (the "Board") has resolved not to declare the payment of any final dividend for year ended 31 March 2017.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the board of Directors (the "Board"), it gives me great pleasure to present to you the first-ever Annual Report of Allied Sustainability and Environmental Consultants Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2017.

Kwok May Han, Grace
Chairman and Executive Director

Our Milestone

As a Hong Kong based sustainability and environmental consulting firm established in 1994, we have been providing green building and environmental consultancy services for more than 20 years. Along this 20-plus year journey, we have dedicated ourselves to contributing to the city's sustainable built environment through participating in a variety of green building and environmental projects, in hopes of building a greener Hong Kong while keeping pace with the city's development. In 2015, we reached new heights and ranked the first in the entire green building certification consultancy market in Hong Kong. This key milestone is not an end in itself, but only a gateway into a wider world. With a view to making this journey even more fruitful, we decided to make a breakthrough and became the first environmental consultancy service provider listed on GEM of Hong Kong Stock Exchange in October 2016. Since then, we have been taking further steps to move along the journey and maintain a sustainable growth in our existing business segments.

Our Mission

The Paris Agreement came into force on 4 November 2016. It calls upon public and private sectors to join forces to tackle climate change, a global challenge of the 21st century. This global commitment to addressing the issue of climate change results in rising demand of sustainable solutions in the environmental industry around the globe. As a sustainability and environmental consulting firm, we keep abreast of this rapidly growing trend, strive to carve out a niche in the green market, and offer the most comprehensive and cost-effective advices and solutions to enhance environmental performance and sustainability design for our clients in order to strengthen our position as a local leading consulting firm in Hong Kong.

Achievements in 2016/2017

Green building consultancy is one of the Group's core services. During the past financial year, we seized every opportunity to expand our portfolio and to strengthen our position as a leading green building consulting firm. In March 2017, the Group was engaged as a consultant of the entire BEAM Plus certification process for 12 blocks of premium commercial buildings in Central, one of the central business districts in Hong Kong. This undoubtedly marked another key milestone of the Group's green building certification consultancy business.

In addition to the new business opportunities, we strived to provide our existing clients with independent and professional advice to meet their business objectives. This effort has paid off that a number of our green building projects received industry recognition and won various awards during the past financial year. In June 2016, a Grand Award was presented to Double Cove, a green building project in which we were involved as the sustainability consultant, in the award presentation ceremony of the Quality Building Award 2016 jointly organized by nine local professional organizations. Besides, another green building project, Ko Shan Theatre New Wing, in which we were involved as the environmental and ecology consultant, received a Grand Award during the award presentation ceremony of Green Building Award 2016 co-organized by the Hong Kong Green Building Council ("HKGBC") and the Professional Green Building Council in November 2016. A month later, in December 2016, six building projects, in which the Group was involved as the sustainability consultant and BEAM Professional, received award in the BEAM Plus Platinum Project Certification Ceremony 2016 which was jointly organized by the HKGBC and BEAM Society Limited ("BSL"). During the World Sustainable Built Environmental Conference 2017 Hong Kong held in June 2017, two of these BEAM Plus Platinum-rated projects, namely, Towngas Headquarters and Hang Seng Management College, gained further recognition; the former was recognized as the project gaining the Highest Score for BEAM Plus Existing Buildings, whereas the latter was recognized as the organization with the most BEAM Plus Final Platinum Projects. All these awards recognized our professionalism as well as our leading position as a sustainability and green building consultant in the market.

Prospects

While the Group has already been involved in the China's Green Building Evaluation Label as well as acoustics consultancy projects in some Mainland cities, we are keen to take a step further to expand our business into the People's Republic of China ("PRC") market. In early November 2016, we have incorporated a wholly-owned subsidiary, Qianhai Allied Environmental Consultants Shenzhen Company Limited, in Shenzhen (Qianhai) in Mainland China. This paved the way for the Group to further develop our business in the Mainland cities.

Looking ahead, we will continue to leverage on our competitive strengths and core competencies to not only make our existing business segments grow but also develop our business in Mainland China. In light of the ambitious goals of the Paris Agreement on climate change and the growing business opportunities in the environmental industry, we will keep up the steady growth of our sustainability and environmental consultancy services as well as extend our services to offer one-stop green building solutions and products in hopes of developing new business opportunities to strengthen the Group's position in the green building market while serving all sectors to address environmental problems and combat climate change. Last but not least, the Hong Kong Stock Exchange has strengthened the Environmental, Social and Governance ("ESG") Reporting Guide in its Listing Rules to upgrade the Key Performance Indicators ("KPIs") in the "Environmental" Subject Area to "comply or explain" effective from 1 January 2017. Despite the fact that the Group recorded a 625% growth in the number of customers in one-year time, we will continue to develop our ESG consultancy business to meet the rising demand.

Appreciation

On behalf of the Board and our management team, I would like to take this opportunity to express my sincere gratitude to all the shareholders, business partners and customers for their generous support over the past financial year. My heartfelt appreciation also goes to all the Directors for their contributions, and all the staff members for their unfailing support and dedication. With all your support, I believe that the Group will build on its strengths and achieve greater success as we continue along our journey in the year ahead.

Kwok May Han Grace
Chairman and Executive Director

Hong Kong, 21 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The continuous revenue growth of the Group was benefited from the increasing demand for green building certification consultancy and sustainability and environmental consultancy with the metropolisation and surging population. The Environmental Protection Department of Hong Kong, along with other related government departments, have implemented various laws regulating environmental issues, such as the Environmental Impact Assessment Ordinance (《環境影響評估條例》) (Chapter 499 of the laws of Hong Kong) which has made environmental impact assessment report a necessity 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 (《城市規劃條例》) (Chapter 131 of the laws of Hong Kong) or is required as one of the conditions of development projects.

The Buildings Energy Efficiency Ordinance (《建築物能源效益條例》) (Chapter 610 of the laws of Hong Kong) imposes mandatory control required for building development works in Hong Kong on building developers and owners. It points out the importance of energy saving performance of both public and residential buildings and leads to a demand for sustainability and environmental consultancy and green building certification consultancy services. The Hong Kong Government also issued (i) the Practice Note of Sustainable Building Design Guidance to enhance the quality and sustainability of the built environment in Hong Kong; (ii) the Works Technical Circulars of Green Government Building to integrate green features in government managed buildings and 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 meters with central air-conditioning or more than 10,000 square meters 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 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.

In December 2016, six building projects, which the Group was involved in as the sustainability consultant and BEAM Professional, received an award in the BEAM Plus Platinum Project Certification Ceremony 2016 which was jointly organised by The Hong Kong Green Building Council and BEAM Society Limited. These awardwinning 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.

Management Discussion and Analysis

The Group has sought new revenue streams by actively seeking development opportunities that can create synergies with its existing businesses. The Group has successfully extended its scope of services to lighting design projects in the acoustics, noise and vibration control, and audio-visual designs sector. In January 2017, the Company was engaged to provide lighting, acoustics & audiovisual subconsultancy services to Hangzhou Moganshan resort in the PRC which is contributed by the bidding effort from project team and the Company considers this successful bidding can strengthen its project reference and extend the service scope in the future.

Furthermore, the Group's project team has been dedicating more time and efforts in exploring additional business opportunities. The most recent project the Group secured is, the engagement of Allied Environmental Consultants Limited (沛然環境評估工程顧問有限公司), a wholly-owned subsidiary of the Company, as the consultant of the entire BEAM Plus certification process for four premises and two complexes, which involves a total of 12 blocks of premium commercial buildings in Central, one of the central business districts in Hong Kong (the "Engagement") by an independent third party whose principal business is in the property sector. Pursuant to the Engagement, the Group will act as the consultant and BEAM professional for, among other matters, the certification of the Comprehensive Scheme under BEAM Plus for Existing Buildings (Version 2.0) for those premium commercial buildings in Central. Preparatory and advisory works have commenced in April 2017. The Board is of the view that the Engagement will enable the Group to leverage on its technical competency to set another key milestone of the Group's green building certification consultancy business.

Prospects

Going forward, the Group will continue to attain its business objectives of maintaining a sustainable growth in its existing business segments and becoming one of the leading service providers in the market. Leveraging on its competitive strengths and advantages, the Group will further expand its business into the PRC market. 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 Shenzhen (Qianhai) 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 building services and solutions and green products by using its existing working capital.

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. With its base in Qianhai, the Group will continue to find new business partners in Mainland China with priority in densely populated cities such as Beijing, Shanghai, Shenzhen, Chengdu and Changsha.

To accelerate its business expansion in the PRC, the Group is also actively exploring acquisition opportunities and looking for targets, which possess sound financial conditions, reputable brand, extensive customer base and business network, and sound operating team, to create 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 based on other sustainability reporting frameworks

The Stock Exchange has strengthened the ESG Reporting Guide in the 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. Moreover, over the last decade, corporate sustainability reporting has increased tremendously, as many companies worldwide have become increasingly aware of their impacts on the economy, environment and society.

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

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

The Company believes that its staff is a 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 diversified services, such as ecological survey, which it has been outsourcing to its sub-contractors. With the opening of its new office in Hong Kong 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.

To the knowledge of the Directors, there has recently been a market consolidation 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 capturing of more market shares. The Directors consider that through appropriate mergers and acquisitions, the Group will be in a better position to compete with its competitors and maintain its competitiveness and position in the market.

Management Discussion and Analysis

Financial Review

Revenue

The total revenue of the Group increased from approximately HK$32.5 million for the year ended 31 March 2016 to approximately HK$35.1 million for the year ended 31 March 2017, representing an increase of 8.0%. As at 31 March 2017, the Group had 244 projects on hand, the contract sum of which amounted to HK$103.5 million approximately.

The revenue of green building certification consultancy decreased by 4.1% from approximately HK$19.3 million for the year ended 31 March 2016 to approximately HK$18.5 million for the year ended 31 March 2017, which was resulted from the slowdown of the progresses of the projects in this segment.

The revenue of sustainability and environmental consultancy increased by 4.7% from approximately HK$8.5 million for the year ended 31 March 2016 to approximately HK$8.9 million for the year ended 31 March 2017. 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 7.0% from approximately HK$4.3 million for the year ended 31 March 2016 to approximately HK$4.0 million for the year ended 31 March 2017 which was mainly due to the slower-than-expected progresses of the projects in this segment.

The Group's ESG reporting and consultancy segment was established in November 2015. The revenue of ESG reporting and consultancy amounted to approximately HK$3.7 million, equivalent to 10.6% of the total revenue for the year ended 31 March 2017. The reason for the increase of revenue in ESG reporting and consultancy segment was mainly due to the number of engaged customers for this segment increasing from 4 for the year ended 31 March 2016 to 25 for the year ended 31 March 2017. It is a milestone of the Group to have recorded a 625% growth in the number of customers in one-year time. The Group will strive to maintain the momentum and envisions that this segment will become one of the core revenue generators in the future.

The table below sets forth the breakdown of the revenue by segment for each of the years ended 31 March 2016 and 2017:

	2017		2016	
	HK$'000	**%**	HK$'000	%
Green building certification consultancy	**18,490**	**52.7**	19,307	59.3
Sustainability and environmental consultancy	**8,884**	**25.3**	8,461	26.0
Acoustics, noise and vibration control and audio-visual design consultancy	**4,004**	**11.4**	4,258	13.1
ESG reporting and consultancy	**3,718**	**10.6**	513	1.6
Total	**35,096**	**100.0**	32,539	100.0

Management Discussion and Analysis

Cost of Services Provided and Gross Profit

The majority of the Group's cost of services provided comprised subcontracting cost and direct labour cost. The Group's cost of services provided increased by approximately 25.6% from approximately HK$12.5 million for the year ended 31 March 2016 to approximately HK$15.7 million for the year ended 31 March 2017.

The Group's gross profit decreased by approximately 3.0% from approximately HK$20.0 million for the year ended 31 March 2016 to approximately HK$19.4 million for the year ended 31 March 2017. The decrease in the gross profit was mainly due to an increase in direct labour costs for team expansion in order to strengthen the Group's ability to secure bids and extend its scope of services.

Administrative Expenses

The Group's administrative expenses increased by approximately 60.3% from approximately HK$7.3 million for the year ended 31 March 2016 to approximately HK$11.7 million for the year ended 31 March 2017. Such increase was mainly due to additional expenses incurred so as to cope with future development of the Group, such as staff cost, legal and professional fee and rental expenses.

Listing Expenses

The Group incurred non-recurring listing expenses in an aggregate sum of approximately HK$12.5 million and HK$5.4 million in relation to the listing of the Shares on GEM during the year ended 31 March 2017 and 2016 respectively.

Loss Attributable to the Owners of the Company

The loss attributable to the owners of the Company was approximately HK$6.1 million for the year ended 31 March 2017, while there was a profit of approximately HK$5.4 million for the year ended 31 March 2016, mainly due to the Company's incurrence of the listing expenses of approximately HK$12.5 million and the increment of administrative expenses of approximately HK$4.4 million during the year ended 31 March 2017.

Net Cash Used in Operating Activities

The Group's net cash used in operating activities for the year ended 31 March 2017 was approximately HK$21.6 million, whereas there was net cash used in operating activities of approximately HK$3.1 million for the year ended 31 March 2016 mainly due to the payment of HK$11.5 million of listing expenses during the year ended 31 March 2017.

Liquidity, Financial Resources and Capital Structure

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

As at 31 March 2017, the Group had no interest-bearing bank and other borrowings and banking and other facilities.

The Company requires cash primarily for working capital needs. As at 31 March 2017, the Company had approximately HK$39.1 million in cash and bank balances (31 March 2016: approximately HK$18.8 million), representing an increase of approximately HK$20.3 million as compared to that as at 31 March 2016. The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2017.

On 17 October 2016 (the "Listing Date"), the issued Shares of the Company (the "Shares") were listed on GEM by way of placing and the Company completed the placing of its 204 million Shares with a par value of HK$0.01 each at placing price of HK$0.28 per Share for a total cash consideration of approximately HK$57.1 million. The Company believes that the funding from the placing of Shares on GEM would help the Company to strengthen its financial position to achieve its business objectives.

Management Discussion and Analysis

Dividend

The Board has resolved not to declare the payment of any dividend in respect of the year ended 31 March 2017 (31 March 2016: HK$Nil). On 13 June 2016, AEC BVI declared a dividend of HK$2.8 million to its shareholders for the year ended 31 March 2016.

Employees and Remuneration Policies

As at 31 March 2017, the Company had a total of 51 employees (31 March 2016: 40). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Gearing Ratio

As at 31 March 2017, the Group had no interest-bearing bank and other borrowings. Accordingly, no gearing ratio is presented.

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 and receivables management, etc. The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2017.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2017. The Group strives to reduce its 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 held and Future Plans for Material Investments and Capital Assets

The Group did not hold any significant investments in equity interest in any other companies. Except for those included in the section headed "Future Plans and Use of Proceeds" in 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 year ended 31 March 2017.

Pledge of Assets

The Group had no pledge of assets as at 31 March 2017.

Contingent Liabilities

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

Capital Commitments

At 31 March 2017, the Group had capital commitment in relation to the purchase of intangible assets of approximately HK$136,000 (31 March 2016: HK$Nil).

Financial Risk Management

Risk management is carried out by the Company's finance department under the policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for 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.

Comparison between business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2017 (the "Relevant Period") is set out below:

Business Objectives for the Relevant Period	Actual Business Progress for the Relevant Period
Expand into the PRC market through establishment of subsidiaries, co-operation with other third parties and/or acquisitions	In early November 2016, the Group has established a wholly-owned subsidiary, 前海沛然環保顧問深圳有限公司 (Qianhai Allied Environmental Consultants Shenzhen Company Limited*), at Qianhai Shenzhen in Mainland China to meet the increasing market demand for consultancy on green building certification consultancy and sustainability and environmental consultancy in the PRC. The Company continues to explore opportunities to acquire companies in the PRC which are of similar size as the Group and provide green building certification consultancy and/or sustainability and environmental consultancy based on a number of factors, including (i) have a good track record but different customer base; (ii) possess the necessary licences and permits in the PRC as well as experienced and qualified staff; and (iii) have the geographical coverage where the Company intends to develop its business in the PRC.

Business Objectives for the Relevant Period	Actual Business Progress for the Relevant Period
Further expand and develop the ESG reporting and consultancy	The Company is setting up an online database that contains information on ESG reporting and consultancy as one of its major marketing efforts. Existing customers can get access to valuable information such as key performance indicators and the Company's professional team's insights and in turn stay in close connection with the Company. Potential customers will also get access to some information on this database and become acquaint with the operation of the Company.
Further strengthen and expand the Group's in-house team of professional staff	The Company hired a total of 11 new consultants/assistant consultants whose expertise are in green building certification consultancy and sustainability consultancy and environmental consultancy and they are all provided with recruitment training and are assigned to the corresponding project teams. The Company also established a training room to conduct on-job meetings, trainings and seminars to existing staff.
Expansion through mergers and acquisitions in Hong Kong	Since the Company was listed on the Listing Date, the Group's expansion plan in Hong Kong is still on-going. The management is in the process of identifying business or companies engaged in ecological analysis and environmental monitoring. For efficiency and better quality control purpose, the Company also targets to vertically integrate its operation by acquiring business or companies of its sub-contractors, such as companies providing ecological survey and assessment services. The management is also considering to consolidate with established resources and expertise of other businesses to the Group so as to enable the Group to provide wider scope of services and expand its customer base.

Management Discussion and Analysis

Principal Risks and Uncertainties

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

1. *Reliance on bidding for revenue*

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

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

(i) submitted bidding for other types of properties (e.g. infrastructure projects) in the sustainability and environmental consultancy sector;

(ii) encouraged its project team members to obtain the new certifications in the green building certification consultancy sector as clients may award extra score to companies with certified staff, thereby increasing the Company's competitiveness and successful rate in bidding; and

(iii) extended its scope of services to lighting design projects in the acoustic, noise and vibration control, and audio-visual designs sector.

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

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

2. *Keen competition*

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

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

3. *Additional operating costs for team expansion*

In view of the fierce competition in the market, the Group has further strengthened and expanded its in-house team of professional staff, details of which are set out in the section headed "Comparison between business objectives with actual business progress" of Management Discussion and Analysis. The expansion of the in-house team resulted in a decrease in gross profit. There is a risk that incurrence of such additional costs might not generate revenues proportionately.

The Board is of the view that the new staff members can strengthen the Group's ability to secure bids in the future and maintain its relationship with existing clients. They can also share their work experience they gained with their previous firms and bring synergy to the Group. The Board thus believes that the expansion of its in-house team is beneficial to the gross profit margin.

Principal Risks and Uncertainties (Continued)

3. *Additional operating costs for team expansion (Continued)*

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

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

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 welcomed by investors. As stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus dated 30 September 2016, 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 integrating with the business of the Group; (iii) further expansion of the Group's business on ESG reporting and consultancy; and (iv) expansion of the Group's in-house project team; and (v) funding for the Group's 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. Based on the placing price of HK$0.28 per Share, the gross proceeds was 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. The Company will deposit the unused net proceeds into short-term demand deposits with Hong Kong licensed banks.

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

Use of net proceeds	Note	**Adjusted planned use of net proceeds#** (HK$'000)	**Approximate percentage of total net proceeds**	**Adjusted planned use of proceeds up to 31 March 2017*** (HK$'000)	**Actual use of net proceeds up to 31 March 2017** (HK$'000)	**Unused net proceeds up to 31 March 2017** (HK$'000)
Expand into the PRC market through acquisition or establishment of subsidiaries		13,358	40%	–	–	13,358
Expand through strategic mergers and acquisitions in Hong Kong		6,679	20%	–	–	6,679
Further expand and develop the Group's services to ESG	1	6,679	20%	–	77	6,602
Further strengthen and expand the Group's in-house team of professional staff	1	5,010	15%	–	464	4,546
Provide funding for the Group's working capital and other general corporate purposes		1,670	5%	NA(note2)	1,670	–
Total		33,396	100%	–	2,211	31,185

Management Discussion and Analysis

Note 1: The actual use of net proceeds exceeds the adjusted planned use of proceeds up to 31 March 2017 as a result of the expansion of ESG reporting and consultancy and the Group's in-house team was speeded up during the year ended 31 March 2017 due to the increasing demand of the Group's services.

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

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

* The planned use of proceeds up to 31 March 2017 has been adjusted in the same proportion and the same manner as stated in the Prospectus due to the difference between the estimated net proceeds as stated in the Prospectus and the actual net proceeds received.

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

Events After Reporting Period

There is no significant event of the Group after the reporting period.

Disclosures under rules 17.22 to 17.24 of the GEM Listing Rules

As at 31 March 2017, the Group had no circumstances which would give rise to a disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

Disclosure of change of Directors' Information

The Directors are not aware of any change in the information in respect of Directors, supervisors and chief executives required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules from the Listing Date to 31 March 2017.

DIRECTORS' REPORT

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2017.

Principal Activities and 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's principal place of business is at 19/F., Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. During the Relevant 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"). Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments of the Group's business, can be found in the Management Discussion and Analysis set out on pages 8 to 18 of this report. This discussion forms part of this Directors' report. The Board has resolved not to declare the payment of any dividend in respect of year ended 31 March 2017 (2016: Nil).

Results and Appropriations

The financial performance of the Group for the year ended 31 March 2017 and the financial position of the Group as at that day are set out in the consolidated financial statements on pages 51 to 55 of this report.

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 (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 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").

During the Relevant Period, 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 competes or may compete with the business of the Group and any other conflict of interest with the Group.

The Controlling Shareholders have confirmed to the Company that during the Relevant Period, 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.

Directors' Interest in Competing Business

Save and except for the interests of our Directors in our Company and its subsidiaries, during the year ended 31 March 2017, none of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business,

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Revenue	Subcontracting cost
The largest customer	7.6%	NA
Five largest customers in aggregate	26.0%	NA
The largest supplier	NA	31.8%
Five largest suppliers in aggregate	NA	85.2%

At no time during the year have the Directors, their close associates or any shareholder of the Company (the "Shareholders") (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

Reserves

Details of movements in the reserves of the Group during the year ended 31 March 2017 are set out in notes 24 and 25 to the consolidated financial statements of this report.

Distributability of Reserves

Pursuant to the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and reserved) of the Cayman Islands, share premium of the Company is distributable to the shareholders. As at 31 March 2017, the Company's reserves available for distribution to equity shareholders of the Company amounted to approximately HK$38.9 million.

Share Capital

Details of the movements in share capital of the Company during the year ended 31 March 2017 are set out in note 24 to the consolidated financial statements of this report.

Save as disclosed in note 25 to the consolidated financial statements of this report, there were no other purchases, sales or redemptions of the Company's listed securities by the company or any of its subsidiaries during the year ended 31 March 2017.

Capital Expenditure

The Company purchased property, plant and equipment amounting HK$1.3 million for the year ended 31 March 2017 which comprised acquisition of furniture, fixtures and office equipment.

Directors' Report

Directors

The Directors during the year ended 31 March 2017 and up to the date of this report were:

Chairman and Executive Director

Ms. Kwok May Han Grace

Non-executive Director

Mr. Wu Dennis Pak Kit

Independent non-executive Directors

Professor Lam Kin Che
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine

Further details of the Directors are set forth in the section headed "Biographical Details of Directors and Senior Management" of this report. To the best knowledge of the Company, save as disclosed under the section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

No director proposed for re-election at the forthcoming annual general meeting of the Company (the "Annual General Meeting") has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Debenture Issued

The Group has not issued any debentures during the year ended 31 March 2017.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the Relevant Period or subsisting at the end of Relevant Period are set out below:

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") by the resolutions in writing of the Shareholders on 23 September 2016. As at 31 March 2017, no options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme since the Listing date and up to 31 March 2017.

1. Purpose
   (i) to motivate the Eligible Participants (defined below) to optimise their performance efficiency for the benefit of the Group; and
   (ii) to attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Who may join
   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
   (ii) any Directors (including executive, non-executive 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.

Equity-linked Agreements (Continued)

Share Option Scheme (Continued)

3.	Maximum number of Shares	120,000,000 shares, being 10% of the total number of Shares in issue immediately following completion of the placing on the Listing Date.
4.	Maximum number of Shares comprised in options to any one individual	1% of the Shares in issue as of the date of grant in any 12-month period up to the date of grant.
5.	Period within which the securities must be taken up under an option	An option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant as may be determined by the Directors provided that no option may be exercised after the expiry of 10 years from that date.
6.	Minimum period for which an option must be held before it can be exercised	There is no such requirement imposed by the Share Option Scheme, provided that the Directors, may impose such requirement upon grant of the option on which the option is deemed to be granted and accepted.
7.	Amount payable on application or acceptance of the options	Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.
8.	Exercise price of Shares	The exercise price must not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.
9.	Remaining life of the scheme	Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme will expire on 22 September 2026.

Share Award Scheme

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.

During the Relevant Period, BOCI-Prudential Trustee Limited, acted as the trustee, had purchased an aggregate of 16,000,000 issued Shares on the Stock Exchange to hold on trust for any participant selected by the administration committee in accordance with the terms of and entitled to receive a grant of Shares under the Share Award Scheme pursuant to the terms and conditions of the rules of the Share Award Scheme. During the year ended 31 March 2017, no Shares were granted to any participants.

Save as disclosed above, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2017, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (《證券及期貨條例》) (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 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 shareholding
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.

Interests in the associated corporation

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 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.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations (Continued)

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As far as the Directors are aware, as at 31 March 2017, 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.

Name of Shareholders	Capacity	Number of Shares	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 is deemed to be interested in the Shares held by City Beat.

Save as disclosed above, as at 31 March 2017, the Company has not been notified by any persons (other than Directors or chief executive 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 and as disclosed under the section headed "Directors' 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 executive 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.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 10 and 11 to the consolidated financial statements of this report, respectively. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2017.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors up to the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued Shares which was held by the public.

Connected Transactions

On 9 November 2016, the Company entered into a consultancy services agreement (the "Consultancy Services Agreement") with Dr. Wong Wing Ho James ("Dr. James Wong") as the Company's honourable adviser for an initial term of two years from 1 October 2015. Since Dr. James Wong was a director of a subsidiary of the Company, he is a connected person of the Company and therefore the Consultancy Services Agreement and the transaction contemplated thereunder constitute continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since all the applicable percentage ratios are less than 5% and the total consideration of the Consultancy Services Agreement is less than HK$3,000,000, the Consultancy Services Agreement with Dr. James Wong and the transaction contemplated thereunder are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Detail of the related party transactions of the Company are set out in note 29 to the consolidated financial statements of this report. The related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the GEM Listing Rules.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 March 2017.

Bank Borrowings

As at 31 March 2017, the Group had no interest-bearing bank and other borrowings.

Confirmation of Independence

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine are independent.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Permitted Indemnity Provision

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2017.

Pursuant to the Articles and subject to the laws of the Cayman Islands, every Director or his or her heirs, executors and administrators shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain by or by reason of any act done, incurred in or omitted in or about the execution of his or her duties, or supposed duty, in his or her office.

The Company has arranged for appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and senior management of the Company arising out of corporate activities.

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

The Shares were initially listed on GEM on 17 October 2016. 16,000,000 Shares had been purchased and held by the trustee on trust for the selected participants of the Share Award Scheme adopted by the Company on 8 February 2017. Please refer to the announcements of the Company dated 8 February 2017, 24 March 2017 and 31 March 2017 for details.

Save as disclosed above, 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 Shares during the period from the Listing Date to 31 March 2017 and thereafter up to the date of this report.

Interests of Compliance Adviser

As notified by Guotai Junan Capital Limited ("GTJAC"), the compliance adviser of the Company, save for the compliance adviser agreement 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 March 2017.

Corporate Governance Code

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

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

Furthermore, with respect to code provision C.1.2 of the CG code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01, Chapter 17 of the GEM Listing Rules and the applicable laws. The Board notes that certain Directors might not have been provided with the financial information on a monthly basis during the year ended 31 March 2017. Upon the revelation of such deviation, the Company has put in place policies to provide financial information to all its Directors on a monthly basis. After the adoption of such remedial measures, the Company regards that it has complied with code provision C.1.2 of the CG code.

Save as disclosed above, 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.

Corporate Governance Code (Continued)

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 34 to 46 of this report.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions 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 been 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.

Corporate Governance, Environmental and Social Responsibility

The Group is committed to the principles of good corporate governance, and strives to integrate corporate social responsibility into its business strategy and management approach.

The ESG Report of the Group prepared in accordance with Appendix 20 to the GEM Listing Rules will be published before 30 September 2017.

Charitable donations

Charitable donations made by the Group during the year ended 31 March 2017 amounted to HK$141,650 (31 March 2016: HK$63,600).

Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 86 of this report.

Audit Committee

The Board has established an audit committee (the "Audit Committee") on 23 September 2016 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lie Kong Sang, Professor Lam Kin Che, and Ms. Wong Yee Lin Elaine. Mr. Lie Kong Sang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm. During the year ended 31 March 2017, the Audit Committee held three meetings to review the Group's interim report and quarterly reports. The Group's audited consolidated financial statements for the year ended 31 March 2017 and this report have been reviewed by the Audit Committee. The Audit Committee is of the view that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures has been made.

Directors' Report

Independent Auditors

KPMG was appointed by the Directors as the first auditors of the Company. The consolidated financial statements of the Group for the year ended 31 March 2017 have been audited by KPMG whose term of office will expire upon the forthcoming Annual General Meeting. A resolution to re-appoint KPMG as independent auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Closure of the Register of Members

The forthcoming Annual General Meeting is scheduled to be held on Friday, 4 August 2017 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 1 August 2017 to Friday, 4 August 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 31 July 2017.

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

Hong Kong, 21 June 2017

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Ms. Kwok May Han Grace (郭美珩), aged 43, was appointed as the executive Director of the Company on 11 November 2015 and chairman of the Board on 11 November 2016. Ms. Kwok is also the compliance officer of the Company and one of the authorised representatives under Rule 5.24 of the GEM Listing Rules. She is responsible for the overall planning, management and strategic development of the Group and oversees the operations of the Group's business.

Ms. Kwok joined the Group in April 1999 and has over 18 years' experiences working as acoustics, environmental and sustainability consultant. She was appointed as a director of AEC Hong Kong on 10 June 2004. She was accredited as a member of the Green Building Faculty from 2012 to 2017. She also possessed various professional qualifications, including LEED Accredited Professional recognized by the Green Building Certification Institute in November 2007, BEAM Professional since July 2010 (including accredited as BEAM Pro Neighbourhood in 2017) by the Hong Kong Green Building Council, BREEAM Accredited Professional and Assessor in 2016 by the BRE Academy and authorized GBL Manager by the China Green Building (Hong Kong) Council in 2017. She received a certificate on training from the China Green Building Council in March 2015 and certificate from GRI on G4 exam on sustainability reporting in January 2016. Ms. Kwok is a member of the Corporate Affairs and Membership Committee as well as the Public Education Committee of the Hong Kong Green Building Council. She has also been appointed as member of BEAM Expert Panel by BEAM Society Limited from 2016 to 2017. She is also a Certified Carbon Auditor Professional accredited by Association of Energy Engineers, a member of the Hong Kong Institute of Environmental Impact Assessment and a founding fellow of Hong Kong Institute of Qualified Environmental Professionals Limited. Ms. Kwok is currently the Chairman of the Hong Kong Institute of Acoustics (the "HKIOA") and serves on the board of directors of the Hong Kong Institute of Qualified Environmental Professionals Limited.

Ms. Kwok graduated from The Hong Kong Polytechnic University with a degree of Bachelor of Engineering in Environmental Engineering in November 1998. She is the wife of Mr. Wu Dennis Pak Kit, a non-executive Director of the Company.

Non-Executive Director

Mr. Wu Dennis Pak Kit (胡伯杰), aged 42, was appointed as the non-executive Director of the Company on 16 November 2015. He is responsible for providing advice on strategic development of the Group.

He has 18 years of experience in the finance industry. Mr. Wu worked as an accounting supervisor at Techno Group, a company engaging in manufacturing of plastic moulds for home appliances, in Hong Kong from April 1998 to June 2000. From September 2000, he worked as a staff accountant at the Assurance and Business Advisory Services Department of Arthur Andersen (which was acquired by PricewaterhouseCoopers in July 2002) and he left the firm as a senior associate in April 2003. He has been the executive director in the finance department of CITIC Capital Holdings Limited, a company focusing on alternative asset management including private equity, real estate, mezzanine venture capital and marketable securities since April 2003. He is also a director of the Hong Kong Private Equity Finance Association which aims to promote the private equity and venture capital industry in Hong Kong.

Mr. Wu joined the Group in January 2015 as a director and he received a certificate on training from the China Green Building Council in March 2015. He is the husband of Ms. Kwok May Han Grace, the executive Director of the Company and the chairman of the Board.

Mr. Wu graduated from the University of Southern California in the United States ("US") with a bachelor's degree in Business Administration, majoring in Finance, in December 1996. He obtained a master's degree of Accountancy from The Chinese University of Hong Kong in November 2001.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Professor Lam Kin Che (林健枝) ("Professor Lam"), SBS, JP, aged 69, was appointed as an independent non-executive Director of the Company on 23 September 2016.

Professor Lam was admitted as an honorary fellow of The Chartered Institution of Water and Environmental Management, the United Kingdom in April 2006, of Hong Kong Institute of Acoustics in June 2012 and The Hong Kong Institute of Environmental Impact Assessment in June 2012.

For previous community services in Hong Kong, Professor Lam was a council member of the Sustainable Council from March 2003 to February 2011, the Advisory Committee on Water Resources and Quality of Water Supplies from April 2000 to March 2004, Hong Kong Observatory from October 2006 to September 2010, and the Advisory Committee on Agriculture and Fisheries from May 1988 to May 1992. He served as the Chairman of the Advisory Council on the Environment from January 2003 to December 2009 and has been the Chairman of the Biodiversity Strategy and Action Plan Steering Committee from June 2013 to May 2016. He was also a member of the Appeal Board Panel (Town Planning) from November 1991 to December 1999, Registration of Persons Tribunal from June 1999 to May 2005, Air Pollution Control Appeal Board Panel from March 1989 to January 2001, Noise Control Appeal Board Panel from February 1989 to January 2004, Environmental Impact Assessment Appeal Board Panel from April 2013 to March 2016, and Waste Disposal Appeal Board Panel from February 2013 to January 2016, all of which are boards, committees or councils of the government of Hong Kong.

Professor Lam has been an adjunct professor of the Department of Geography & Resources Management of The Chinese University of Hong Kong since August 2012.

Professor Lam graduated from The University of Hong Kong with a degree of Bachelor in Arts in November 1970 and a degree of Master of Philosophy in November 1974. He obtained a degree of Doctor of Philosophy from The University of New England in Australia in April 1981.

Mr. Lie Kong Sang (李港生) ("Mr. Lie"), aged 51, was appointed as an independent non-executive Director of the Company on 23 September 2016.

Mr. Lie has over 27 years of experience in providing assurance and advisory services to global and local financial institutions, fund management companies, service providers and traditional, hedge, private equity and real estate funds during which he worked in PricewaterhouseCoopers, an accounting firm in Hong Kong from January 1995 to June 2015, with his last position as an assurance partner. Mr. Lie was conferred by Hong Kong Institute of Certified Public Accountants as a certified public accountant in November 1993.

Mr. Lie has also been a member of Hong Kong Securities Institute since April 2011 and a fellow member of The Association of Chartered Certified Accountants since May 1998.

Mr. Lie graduated from the University of Glasgow in the United Kingdom with a bachelor degree in accountancy in 1988.

Ms. Wong Yee Lin Elaine (王綺蓮) ("Ms. Wong"), aged 62, was appointed as an independent non-executive Director of the Company on 23 September 2016.

Ms. Wong has been a fellow member of Hong Kong Institute of Human Resources Management ("HKIHRM") since April 2003 as well as a member of Employee Engagement and Employer's Branding Committee of HKIHRM since 1999, and of Remuneration Committee of HKIHRM since 2012. She was an executive council member of HKIHRM from 1999 to 2011.

Ms. Wong was the Head of Human Resources (Hong Kong and China) of Northwest Airlines (now known as Delta Airlines) from October 1989 to August 1992. She was the Employee Relations Manager of Enviropace Limited (now known as Ecospace Limited) from August 1992 to February 1994. She then worked as the Head of Human Resources (Greater China Area) of Tandem Computers Limited (now known as Hewlett Packard Ltd.) from March 1994 to October 1994. She worked as a Human Resources Manager of Unisys Computers Limited from November 1994 to April 1995. She was the Human Resources Manager in International Private Banking of Standard Chartered Bank from May 1995 to March 1996. She was the Human Resources Manager of Jardine Fleming Holdings Limited (now J.P. Morgan Holdings (Hong Kong) Limited) from June 1996 to September 1998. She was the Vice President and Head of Human Resources Services of CITIC Bank International Limited from October 1998 to April 2002. She was the director and Head of Human Resources and Administration of CITIC Capital Holdings Limited from May 2002 to May 2006. She was the Managing Director, Head of Human Resources of CITIC Securities International Company Limited from May 2006 to April 2015. Ms. Wong served as Senior Human Resources Adviser in CITIC Securities International Co., Ltd. from April to December 2015.

Ms. Wong is currently serving as Vice President of The Asia Pacific Professional Managers Association and a member of the Staff Panel of Scout Association of Hong Kong since March 2016. She was a founder and has been a director of a non-governmental organisation, Hong Kong Credible Care Volunteers Association Limited since February 2013.

Ms. Wong obtained Certificates of Competence (Level A and Level B) in Occupational Testing from British Society of Psychology in September 1996 and December 1996 respectively. She also obtained a master degree, majoring in human resources management through a distance learning programme from American States University in US in February 1995. She has over 25 years of experience in human resources management.

Senior Management

Mr. Ho Tin Kit (何天杰), aged 37, is our principal consultant responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Ho joined our Group in March 2014 as a senior environmental consultant and was promoted to a principal environmental consultant in January 2015. He has been involved in a variety of projects relating to air quality investigation, air ventilation assessment, carbon audit, energy simulation, environmental assessment and wastewater investigation.

Mr. Ho obtained a degree of Bachelor of Engineering from University of Adelaide in Australia in December 2002 and a Postgraduate Diploma in Engineering (Environmental Engineering) from the University of Hong Kong in September 2006.

Biographical Details of Directors and Senior Management

Mr. Sze Wing Hong (施泳匡), aged 36, is our principal consultant responsible for acoustic, environmental and green building project management, coordination with different parties and progress meeting. Mr. Sze was our senior consultant from January 2011 to June 2013 and was promoted to as a principal consultant in July 2013. He has participated in a variety of projects involving the design of heating, ventilation, air conditioning system, fire services system, plumbing and drainage system.

Mr. Sze obtained a degree of Bachelor of Engineering in Building Services Engineering and a degree of Master of Engineering in Building Services Engineering, both in December 2006 and from The Hong Kong Polytechnic University. He is a BEAM Professional accredited by the Hong Kong Green Building Council in August 2011.

Mr. Chan Chi Kee Henry (陳翅麒), aged 43, is our associate director principally responsible for acoustic and audio-visual design, project management, coordination with different parties and progress monitoring. Mr. Chan joined our Group in April 2016. Mr. Chan graduated from the Hong Kong Polytechnic University with a bachelor of engineering (Hons) in Environmental Engineering in November 1997. He has 18 years of experience in the building construction industry.

Mr. Chan has started his professional as an acoustician, was accredited as a member of Institute of Acoustics (MIOA) in March 2002 and the Certified Technology Specialist (CTS) by InfoComm in February 2008. He has then further developed his lighting design skills and become a professional member of the International Association of Lighting Designers (IALD) in January 2013. Mr. Chan is also an accredited BEAM Professional by Hong Kong Green Building Council Limited in April 2016 and a qualified project manager as he obtained the membership of the Association for Project Management (APM) in November 2007.

Mr. Ip Chee Wang Rodney (葉子泓), aged 39, is our associate director, being responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Ip first joined our Group in May 2002 as an assistant consultant and was promoted to a senior consultant. He resigned from our Group in March 2007. He re-joined our Group in March 2016.

Mr. Ip obtained a degree of Bachelor of Engineering in Mechanical Engineering from Hong Kong University of Science and Technology ("HKUST") in November 1999, and a degree of Master of Philosophy in Mechanical Engineering in HKUST in November 2001. He is a chartered engineer, corporate member of The Hong Kong Institution of Engineers and the Hong Kong Institute of Environmental Impact Assessment, member of the Institution of Mechanical Engineers, qualified BEAM Pro and Registered Energy Assessor with Electrical and Mechanical Services. He was admitted as a committee member for HKIOA in 2006 to 2009.

Mr. Lai Ka Yeung Andy (黎家揚), aged 30, is our senior consultant responsible for acoustic, environmental and green building project management, coordination with different parties and progress monitoring. Mr. Lai joined our Group in November 2011 as a consultant and was promoted to as a senior consultant in April 2015. Mr. Lai obtained a degree of Bachelor of Science from the University of Nottingham in July 2008. He obtained degree of Master in environmental engineering from the University of Hong Kong in November 2016.

Mr. Tong Jonathan (湯臻恩), aged 30, is our senior consultant responsible for ESG reporting and consultancy, and environmental and green building project management. Mr. Tong joined our Group in November 2011 as an Assistant Consultant, and gradually moved up the ranks where he was promoted Senior Consultant in December 2015. Mr. Tong graduated from the University of Wisconsin-Madison in May 2009 with a Bachelor of Science. He obtained his Master of Science degree in Environmental Engineering and Management from the HKUST in November 2013.

Biographical Details of Directors and Senior Management

Ms. Man Yi Hang Cathy (文爾珩), aged 31, is our senior consultant responsible for environmental and green building project management coordination with different parties and progress monitoring. Ms. Man joined our group in September 2010 as an assistant consultant. She was promoted as our consultant and senior consultant in November 2011 and March 2014, respectively. Ms. Man has been involved in environmental assessments and sustainable building design studies for development in both the public and private sectors. Ms. Man graduated from the Hong Kong Baptist University with a degree of Bachelor of Social Science in China Studies (Geography) in November 2008. She further obtained a degree of Master of Applied Science (Environmental Science) from the University of Sydney in Australia in October 2010. Ms. Man was accredited by the Green Business Certificate Institute as a LEED Green Associate in August 2013. She is an associate member of the HKIOA since January 2012, Beam Pro specialist since January 2016, and member of Chartered Institution of Water and Environmental Management since November 2015.

Mr. Chong Hing Cheong (莊慶昌), aged 30, is our finance manager and company secretary, responsible for overseeing the overall financial management and company secretarial work of our Group. He joined our Group as an accountant in September 2014. Since Mr. Chong joined our Group, he has also been responsible for company secretarial work of our Group.

Mr. Chong graduated from the City University of Hong Kong with a degree of Bachelor of Business Administration in Finance in November 2008. He further obtained a degree of Bachelor of Business Administration in Accounting from the Open University of Hong Kong in November 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2013.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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 Corporate Governance Code (the "CG Code") as set out in Appendix 15 of 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 May Han Grace was appointed the chairman of the Board on 11 November 2016 but there is no chief executive of the Company. The Board considers that such arrangement has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Furthermore, with respect to code provision C.1.2 of the CG code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. The Board notes that certain Directors might not have been provided with the financial information on a monthly basis during the year ended 31 March 2017. Upon the revelation of such deviation, the Company has put in place policies to provide financial information to all its Directors on a monthly basis. After the adoption of such remedial measures, the Company regards that it has complied with code provision C.1.2 of the CG code.

Save as disclosed above, 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.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by 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 (the "Required Standard of Dealings"). Having been made a specific enquiry by the Company with each of the Directors, all Directors confirmed that they had complied with the Required 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.

Board of Directors

Since the Listing Date and up to the date of this report, the Board comprised five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Name	Position	Date of appointment
Ms. Kwok May Han Grace	Executive Director Chairman	11 November 2015 11 November 2016
Mr. Wu Dennis Pak Kit	Non-executive Director	16 November 2015
Professor Lam Kin Che	Independent non-executive Director	23 September 2016
Mr. Lie Kong Sang	Independent non-executive Director	23 September 2016
Ms. Wong Yee Lin Elaine	Independent non-executive Director	23 September 2016

Responsibilities, Accountability and Contributions of the Board and Management

The Board's main functions include:

(i) approving the Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of the Group;

(ii) developing and reviewing the Company's policies and practices on corporate governance;

(iii) reviewing the Group's compliance with the CG Code and disclosure in the Corporate Governance Report;

(iv) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and

(v) monitoring the risk management and internal control systems of the Company and reviewing their effectiveness.

Daily business operations and administrative functions of the Group are delegated to the executive Director and the senior management of the Group. The Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the Relevant Period, three board meetings were held. Details of the attendance of the Directors are as follows:

Directors	**Attendance/Number of Board meetings entitled to attend**
Ms. Kwok May Han Grace *(Chairman)*	3/3
Mr. Wu Dennis Pak Kit	3/3
Professor Lam Kin Che	3/3
Mr. Lie Kong Sang	3/3
Ms. Wong Yee Lin Elaine	3/3

During the Relevant Period, the Company did not hold any general meeting.

Appointment, Re-election and Removal of Directors

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. The Company has entered into a service contract with the executive Director for a term of three years commencing from 23 September 2016, subject to the early removal from office in accordance with the Articles, and subject to the retirement and re-election provisions in the Articles. The Company has also entered into letters of appointment with the non-executive Director and each of the independent non-executive Directors for a term of three years commencing from 23 September 2016, subject to the early removal from office in accordance with the Articles, and subject to the retirement and re-election provisions in the Articles.

Corporate Governance Report

Continuous Professional Development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2017, all the Directors had participated in seminars/courses in relation to Director's responsibilities and obligations under the GEM Listing Rules and relevant statues, laws, rules and regulations arranged by accredited service providers.

Independent Non-Executive Directors

The Company has three independent non-executive Directors to comply with Rule 5.05(1) of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Lie Kong Sang, has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The Company has also complied with Rule 5.05A of the GEM Listing Rules as the three independent non-executive Directors represent more than one-third of the Board.

In accordance with Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Professor Lam Kin Che, Mr. Lie Kong Sang and Ms. Wong Yee Lin Elaine are independent.

Chairman and Chief Executive

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 May Han Grace was appointed the chairman of the Board on 11 November 2016 but there is no chief executive of the Company. The Board considers that such arrangement has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Company Secretary

Mr. Chong Hing Cheong has been appointed as the company secretary of the Company (the "Company Secretary") on 10 June 2016. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chong Hing Cheong has taken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2017.

Compliance Officer

Pursuant to Rule 5.19 of the GEM Listing Rules, Ms. Kwok May Han Grace, who is also an executive Director and the chairman of the Board, was appointed as the compliance officer of the Company on 10 June 2016. The biographical details of Ms. Kwok are set out under the section headed "Biographical Details of Directors and Senior Management" of this report.

Directors' Insurance

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31 March 2017.

Board Committees

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Articles as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles).

With the establishment of the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"), the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also established the environmental, social and governance committee (the "ESG Committee") and the risk management committee (the "Risk Management Committee") to review and monitor the Group's specific policies and practices to ensure compliance with the relevant legal and regulatory requirements.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Director. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, board membership, delegation of authority and corporate governance.

Audit Committee

The Board established the Audit Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on both the GEM website and the Company's website. The primary duties of the Audit Committee include (but without limitation):

(i) assisting the Board by providing an independent view of the effectiveness of the financial reporting process;

(ii) making recommendation to the Board on the appointment and removal of external auditors;

(iii) reviewing the Group's financial information and disclosures;

(iv) overseeing the audit process, to develop and review the Group's policies and practices on compliance with legal and regulatory requirements; and

(v) performing other duties and responsibilities as assigned by the Board.

The composition of the Audit Committee during the Relevant Period and up to the date of this report is as follows:

Mr. Lie Kong Sang *(Chairman)*
Professor Lam Kin Che
Ms. Wong Yee Lin Elaine

None of the members of the Audit Committee is a former partner of the Company's existing auditing firm. Mr. Lie Kong Sang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

Board Committees (Continued)

Audit Committee (Continued)

Three Audit Committee meetings were held during the Relevant Period. During the year ended 31 March 2017, the Audit Committee has:

(i) reviewed the unaudited quarterly and interim results;

(ii) reviewed the necessity to establish an internal audit function; and

(iii) monitored the audit and non-audit services rendered to the Group by its auditors and ensure that their engagement in other non-audit services will not impair their audit independence or objectivity.

Apart from the Audit Committee meetings, the independent non-executive Directors have met with its external auditors to discuss matters relating to the Company's audit fees and other issues arising from the audit for year ended 31 March 2017. The attendance record of each member at the Audit Committee meetings is set out as follows:

Directors	**Attendance/Number of Audit Committee meetings entitled to attend**
Professor Lam Kin Che *(Independent non-executive Director)*	3/3
Mr. Lie Kong Sang *(Independent non-executive Director)*	3/3
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	3/3

Remuneration Committee

The Board established the Remuneration Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Remuneration Committee are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee include (but without limitation):

(i) making recommendations to the Directors regarding the Group's policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

(ii) making recommendations to the Board on the remuneration packages of the individual executive Director and senior management;

(iii) reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives; and

(iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

The composition of the Remuneration Committee during the Relevant Period and up to the date of this report is as follows:

Ms. Wong Yee Lin Elaine *(Chairman)*
Mr. Lie Kong Sang
Professor Lam Kin Che
Mr. Wu Dennis Pak Kit

Board Committees (Continued)

Remuneration Committee (Continued)

Two Remuneration Committee meetings were held during the Relevant Period. The Remuneration Committee reviewed the policy for the remuneration of all the Directors, accessed the performance of the executive Director and approved the terms of the executive Director's service contract for the year ended 31 March 2017. The remuneration committee also made recommendations to the Board on the remuneration packages of the individual executive Director and senior management for the year ended 31 March 2017. The attendance record of each member at the Remuneration Committee meetings is as follows:

Directors	Attendance/Number of Remuneration Committee meetings entitled to attend
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	2/2
Mr. Lie Kong Sang *(Independent non-executive Director)*	2/2
Professor Lam Kin Che *(Independent non-executive Director)*	2/2
Mr. Wu Dennis Pak Kit *(Non-executive Director)*	2/2

Nomination Committee

The Board established the Nomination Committee on 23 September 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Nomination Committee are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee include (but without limitation):

(i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) assessing the independence of independent non-executive Directors; and

(iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman.

The composition of the Nomination Committee during the Relevant Period and up to the date of this report is as follows:

Ms. Kwok May Han Grace *(Chairman)*
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine
Professor Lam Kin Che

Board Committees (Continued)

Nomination Committee (Continued)

One Nomination Committee meeting was held during the Relevant Period. The Nomination Committee determined the policies for the nomination of directors, including the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year ended 31 March 2017. It also reviewed the Company's policies concerning board diversity for the year ended 31 March 2017. The attendance record of each member at the Nomination Committee meeting is as follows:

Directors	Attendance/Number of Nomination Committee meeting entitled to attend
Ms. Kwok May Han Grace *(Executive Director)*	1/1
Mr. Lie Kong Sang *(Independent non-executive Director)*	1/1
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	1/1
Professor Lam Kin Che *(Independent non-executive Director)*	1/1

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the policy, the Nomination Committee seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industrial experience, background, gender and other qualities of the members of the Board. These factors will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination Committee will consider the balance of talents, skills, experience, independence and knowledge on the Board and the diversity representation of the Board.

Board Committees (Continued)

Nomination Committee (Continued)

Measureable objectives

The Nomination Committee discusses annually the measurable objectives for achieving diversity of the Board and recommends them to the Board for adoption. The Board will consider such recommendation and may seek to improve the diversity of the board composition.

Monitoring and reporting

The Nomination Committee and the Board monitor the progress of the improvement measures on an annual basis and make relevant disclosure in the corporate governance reports of the Company on the process the Board has used in relation to Board appointments.

Reviewing the policy

The Nomination Committee will review the design, implementation and the effectiveness of the policy in its annual meeting on board diversity policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

ESG Committee

The Board established the ESG Committee on 23 September 2016. The terms of reference of the ESG Committee are available on both the GEM website and the Company's website. The primary function of the ESG Committee is to report and advise the Board on matters relating to environmental protection, social responsibility and corporate governance of the Group.

The composition of the ESG Committee during the Relevant Period and up to the date of this report is as follows:

Ms. Kwok May Han Grace *(Chairman)*
Mr. Wu Dennis Pak Kit
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine
Professor Lam Kin Che

One ESG Committee meeting was held during the Relevant Period. The attendance record of each members at the ESG Committee meeting is as follows:

Directors	**Attendance/Number of ESG Committee meeting entitled to attend**
Ms. Kwok May Han Grace *(Executive Director)*	1/1
Mr. Wu Dennis Pak Kit *(Non-executive Director)*	1/1
Mr. Lie Kong Sang *(Independent non-executive Director)*	1/1
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	1/1
Professor Lam Kin Che *(Independent non-executive Director)*	1/1

Board Committees (Continued)

Risk Management Committee

The Board established the Risk Management Committee on 23 September 2016. The terms of reference of the Risk Management Committee are available on both the GEM website and the Company's website. The primary duties of the Risk Management Committee include (but without limitation):

(i) considering the necessity of an internal audit function of the Group;

(ii) evaluating and determining the nature and extent of the significant risks face by the Group;

(iii) making recommendations to the Board on the Group's risk management and internal control systems; and

(iv) overseeing the Group's risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group.

The composition of the Risk Management Committee during the Relevant Period and up to the date of this report is as follows:

Ms. Kwok May Han Grace *(Chairman)*
Mr. Wu Dennis Pak Kit
Mr. Lie Kong Sang
Ms. Wong Yee Lin Elaine
Professor Lam Kin Che

One Risk Management Committee meeting was held during the Relevant Period. The Risk Management Committee has identified the risks faced by the Group and discussed the designs of the risk management and internal control systems for the year ended 31 March 2017. The committee also reviewed the adequacy of resources, qualifications and experience of the Group's staff in implementing the risk management and internal control systems for the year ended 31 March 2017. The attendance record of each members at the Risk Management Committee meeting is as follows:

Directors	**Attendance/Number of Risk Management Committee meeting entitled to attend**
Ms. Kwok May Han Grace *(Executive Director)*	1/1
Mr. Wu Dennis Pak Kit *(Non-executive Director)*	1/1
Mr. Lie Kong Sang *(Independent non-executive Director)*	1/1
Ms. Wong Yee Lin Elaine *(Independent non-executive Director)*	1/1
Professor Lam Kin Che *(Independent non-executive Director)*	1/1

Corporate Governance Function

During the Relevant Period and up to the date of this report, the Board has reviewed the corporate governance practices of the Company by reference to the CG Code as set out in Appendix 15 of the GEM Listing Rules. The summary of their work is as follows:

(i) reviewed the Company's policies and practices on corporate governance and make recommendations;

(ii) reviewed and monitored the training and continuous development of Directors and senior management of the Group;

(iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and

(v) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

Accountability and Audit

The Board acknowledges its responsibility for the preparation of the Company's consolidated financial statements for the year ended 31 March 2017 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor about their reporting responsibilities is set out in the independent auditor's report on pages 47 to 50 of the consolidated financial statements of this report.

External Auditors' Remuneration

The remuneration paid to KPMG, the external auditor of the Company, in respect of the audit and non-audit services related to Listing amounted to HK$2,500,000.

During the year ended 31 March 2017, the Company engaged KPMG as the external auditors. The fee in respect of audit services provided by KPMG for the year ended 31 March 2017 amounted to HK$1,000,000.

The Audit Committee has expressed its view to the Board that the level of fees paid/payable by the Company' to the Company's external auditors for annual audit services is reasonable. There has been no disagreement between the auditors and the management of the Company during the year ended 31 March 2017.

Emolument Payable to Senior Management

The emoluments payable to the eight (31 March 2016: eight) members of senior management during the year ended 31 March 2017 fell within the band of $Nil to $1,000,000.

Risk Management and Internal Control Systems

The Board is responsible for monitoring the risk management and internal control systems of the Company and reviewing their effectiveness. These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Assisted by the Risk Management Committee, the Board evaluates and determines the nature and extent of significant risks it is willing to take in achieving the Company's strategic objectives. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal control systems. Procedures have been designed and implemented to safeguard the Company's assets against unauthorised use or disposal, ensure maintenance of proper accounting records for provision of reliable financial information for internal use or for publication and ensure the Company's compliance with applicable laws, rules and regulations. The Board also ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

To ensure the effectiveness of the risk management and internal control systems, the Board requests the management to facilitate each of the departments of the Company to identify major risk events in the field it operates and assess the possibility of occurrence and influence of these risk events to the Company. Each department also prepares solutions and mitigation measures to deal with the possible risk events to the management. The management gathers the information from each of the departments and provide confirmations and feedbacks to the Board on the effectiveness of the risk management and internal control system. Based on the information from the management, the Board conducted an annual review on the effectiveness of the Company's risk management and internal control systems for the year ended 31 March 2017.

The Board received a confirmation from the management, made pursuant to code provision C.2 of the CG Code, on the effectiveness of the risk management and internal control systems. The Board concluded that the risk management and internal control systems of the Company were adequate and effective during the year ended 31 March 2017.

The Company does not have an internal audit function as the Board presently considers that the size, nature and complexity of the Group's business does not require such function.

With respect of procedures and internal controls of the handling and dissemination of inside information, the Company is fully aware of its obligation under Part XIVA of the SFO and the GEM Listing Rules. The Board has adopted a policy which contains the guidelines of the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

Disclosure of Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the GEM Listing Rules and the SFO. The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the GEM and the Company on a timely basis to enable the public, shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information falls within the safe harbours under the SFO. Briefing and training on the implementation of the disclosure policy have been provided to Directors, officers and senior management of the Group. In addition, the relevant policy has been uploaded to the intranet of the Company for easy access by all employees.

Communication with Shareholders and Investors

The Company regards high quality reporting as an essential element in building successful relationships with its Shareholders. The Company always endeavours to provide relevant information to existing and potential investors to enhance transparency and communications with Shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and management of risk are made through various channels:

- the Company's annual general meeting and extraordinary general meetings;
- interim and annual results announcements published on the respective websites of the Company and the Stock Exchange;
- interim and annual reports of the Company delivered to all Shareholders;
- timely update of the respective websites of the Stock Exchange and the Company;
- circulars and other corporate communications to Shareholders; and
- announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.asecg.com where the Company's announcements, circulars, notices of general meetings, financial reports, business developments, press releases and other information are posted.

Shareholders' Rights

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the mandatory disclosure requirements:

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary at 19/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by mail, facsimile or email:

Address	:	19/F, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong
Facsimile no.	:	2815 5399
Email	:	ir@aechk.com

Shareholders may also make enquiries with the Board at the general meetings of the Company or through the online information request form on the website of the Company at www.asecg.com.

Constitutional Documents

Since the Listing Date, there is no significant change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report
To the shareholders of Allied Sustainability and Environmental Consultants Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Allied Sustainability and Environmental Consultants Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 51 to 85, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Revenue recognition

Refer to note 7 to the consolidated financial statements and the accounting policies on page 68.

The Key Audit Matter

The Group recorded revenue from the provision of environmental and sustainability consultancy services of HK$35,096,000 for the year ended 31 March 2017.

Revenue and profit from the provision of consultancy services is recognised with reference to contract costs incurred at the reporting date for work performed as a percentage of total forecast contract costs.

The recognition of revenue and profit therefore relies on management's estimation of the final outcome of each contract which can involve the exercise of significant management judgement, particularly in forecasting costs to complete a contract, in considering claims and the valuation of variation orders and in considering the ability of the Group to deliver services according to the agreed timetables.

We identified revenue recognition as a key audit matter because of the significance of contract revenue to the consolidated financial statements and because the assessment of contract progress requires the exercise of significant management judgement, particularly in relation to the estimation of total forecast contract costs which is inherently subjective and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the revenue and profit recognition processes;
- discussing with the Group management and project directors the performance of contracts, on a sample basis, and challenging the key estimates and assumptions adopted in the contract forecasts, including estimated costs to complete each contract and the recognition of claims and variation orders, by obtaining and assessing information underlying the assumptions adopted, including contract agreements, sub-contracts, correspondence with customers regarding project progress and documentation relating to contract variations and claims, and by considering historical outcomes for similar contracts and industry norms;
- recalculating the amount of revenue recognised for individual contracts, on a sample basis, based on the agreed contract sum (plus recognised variation orders, if any), total estimated costs and actual costs incurred to the reporting date;
- inspecting, on a sample basis, underlying documents in respect of actual costs incurred during the year ended 31 March 2017;
- inspecting a sample of contract agreements with customers and sub-contractors to identify key terms and conditions and evaluating whether these key terms and conditions have been appropriately reflected in the contract forecasts and the corresponding amounts recognised in the consolidated financial statements;
- performing a retrospective review of the estimations of costs to complete contracts by comparing the costs incurred for contracts completed in the current year with the estimates of such costs as at 31 March 2016 to assess the reliability of management's forecasting process;
- inspecting underlying documentation for manual journal entries relating to revenue raised during the year which were considered to be material or met other specific risk-based criteria.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Sze Kit, Roy.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Revenue	7	**35,096**	32,539
Cost of services provided		**(15,671)**	(12,496)
Gross profit		**19,425**	20,043
Other income and gains		**96**	560
Administrative expenses		**(11,691)**	(7,305)
Finance costs	8	**–**	(11)
Other expenses		**(148)**	(307)
Listing expenses		**(12,480)**	(5,373)
(Loss)/profit before tax	9	**(4,798)**	7,607
Income tax expenses	12	**(1,290)**	(2,159)
(Loss)/profit for the year wholly attributable to owners of the Company		**(6,088)**	5,448
Other comprehensive income for the year wholly attributable to owners of the Company, net of tax			
Item that may be reclassified subsequently to profit or loss:			
– Change in fair value of available-for-sale financial assets	13	**(151)**	–
Total comprehensive income for the year wholly attributable to owners of the Company		**(6,239)**	5,448
Basic (loss)/earnings per share (cents)	14	**(0.56)**	0.57

The notes on pages 56 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment	15	**1,205**	250
Prepayments for intangible assets		**97**	–
Available-for-sale financial assets	16	**1,897**	–
		3,199	250
Current assets			
Contract assets	17	**29,460**	17,398
Accounts receivable	18	**9,613**	9,420
Prepayments, deposits and other receivables	19	**3,760**	4,485
Cash and cash equivalents	20	**39,062**	18,843
Total current assets		**81,895**	50,146
Current liabilities			
Accounts payable	21	**243**	309
Other payables and accruals	22	**1,296**	1,803
Contract liabilities	17	**159**	676
Current tax payable		**1,376**	3,800
Total current liabilities		**3,074**	6,588
Net current assets		**78,821**	43,558
Total assets less current liabilities		**82,020**	43,808
Non-current liabilities			
Deferred tax liabilities	23	**111**	15
Net assets		**81,909**	43,793
Equity			
Issued capital	24	**12,000**	424
Reserves		**69,909**	43,369
Total equity		**81,909**	43,793

Approved and authorised for issue by the board of directors on 21 June 2017.

KWOK May Han, Grace
Director

WU Dennis Pak Kit
Director

The notes on pages 56 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

		Wholly attributable to owners of the Company					
	Note	Issued capital $'000	Other reserve $'000	Revaluation reserve $'000	Shares held under share award scheme $'000	Retained profits $'000	Total equity $'000
At 1 April 2015		388	10,610	–	–	16,497	27,495
Profit and total comprehensive income for the year		–	–	–	–	5,448	5,448
Capital contribution from shareholders of AEC Group Limited ("AEC BVI")	24	36	10,814	–	–	–	10,850
At 31 March 2016		424	21,424	–	–	21,945	43,793
At 1 April 2016		424	21,424	–	–	21,945	43,793
Loss for the year		–	–	–	–	(6,088)	(6,088)
Other comprehensive income		–	–	(151)	–	–	(151)
Total comprehensive income		–	–	(151)	–	(6,088)	(6,239)
Issue of shares	24	2,040	55,080	–	–	–	57,120
Capitalisation issue of shares	24	9,960	(9,960)	–	–	–	–
Transaction costs directly attributable to issue of shares		–	(5,866)	–	–	–	(5,866)
Arising from group reorganisation	24	(424)	424	–	–	–	–
Dividends	26	–	–	–	–	(2,800)	(2,800)
Purchase of shares under share award scheme	25	–	–	–	(4,099)	–	(4,099)
At 31 March 2017		12,000	61,102	(151)	(4,099)	13,057	81,909

The notes on pages 56 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Cash flows used in operating activities					
(Loss)/profit before tax		**(4,798)**		7,607	
Adjustments for:					
Finance costs	8	**–**		11	
Depreciation	9	**301**		242	
Gain on disposal of items of property, plant and equipment	9	**(8)**		(560)	
Impairment of accounts receivable	9	**273**		567	
Write-back of impairment of accounts receivable	9	**(125)**		(260)	
		(4,357)		7,607	
Increase in contract assets		**(12,062)**		(9,245)	
(Increase)/decrease in accounts receivable		**(341)**		3,698	
Decrease/(increase) in prepayments, deposits and other receivables		**2,443**		(2,341)	
(Decrease)/increase in accounts payable		**(66)**		226	
Decrease in other payables and accruals		**(3,106)**		(241)	
Decrease in contract liabilities		**(517)**		(2,737)	
Cash used in operations		**(18,006)**		(3,033)	
Interest paid		**–**		(11)	
Hong Kong Profits Tax paid		**(3,612)**		–	
The People's Republic of China ("PRC") Income Tax paid		**(7)**		(53)	
Net cash used in operating activities			**(21,625)**		(3,097)
Cash flows used in investing activities					
Additions of items of property, plant and equipment		**(1,256)**		(199)	
Proceeds from sale of property, plant and equipment		**8**			
Direct attributable expenses paid for disposal of property, plant and equipment		**–**		(22)	
Increase in prepayments for acquisition of intangible assets		**(97)**		–	
Payment for purchase of available-for-sale securities		**(2,048)**		–	
Net cash used in investing activities			**(3,393)**		(221)

Consolidated Statement of Cash Flows

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Cash flows generated from financing activities					
Repayment of interest-bearing bank loan		–		(74)	
Repayment of amount due to a director included in other payables		–		(692)	
Payment of expenses relating to placing of shares		(4,984)		(882)	
Capital contribution by shareholders of AEC BVI		–		10,850	
Proceeds from issue of shares		57,120		–	
Payment for purchase of shares under share award scheme		(4,099)		–	
Dividends paid	26	(2,800)		–	
Net cash generated from financing activities			45,237		9,202
Net increase in cash and cash equivalents			20,219		5,884
Cash and cash equivalents at beginning of the year	20		18,843		12,959
Cash and cash equivalents at end of the year	20		39,062		18,843
Analysis of balances of cash and cash equivalents					
Cash and bank balances	20		39,062		18,843

The notes on pages 56 to 85 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate Information

General Information

Allied Sustainability and Environmental Consultants Group Limited (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 year ended 31 March 2017, the Company's subsidiaries were principally engaged in the provision of consultancy services relating to green building certification consultancy, sustainability and environmental consultancy, acoustics, noise and vibration control and audio-visual design consultancy and environmental, social and governance reporting consultancy in Hong Kong, Macau and the mainland of the People's Republic of China ("Mainland China" or the "PRC").

The issued ordinary shares of the Company (the "Shares") were initially listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 17 October 2016 (the "Listing Date").

The Company has direct and indirect interests in subsidiaries, all of which are private limited liability companies, the particulars of which are set out below. The class of shares held is ordinary unless otherwise stated.

Name of company	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Percentage of ownership interest held by the**		**Principal activities**
			Company	**subsidiary**	
AEC BVI	The British Virgin Islands ("BVI")	US$54,756	100%	–	Investment holding
AEC China Development Limited	Hong Kong	2 shares	–	100%	Investment holding
Allied Environmental Consultants Limited ("AEC Hong Kong")	Hong Kong	2,040 shares	–	100%	Provision of consultancy services
Allied Sustainability Consultants Limited	Hong Kong	2 shares	–	100%	Provision of environmental, social and governance reporting services
Qianhai Allied Environmental Consultants Shenzhen Company Limited	PRC	RMB100,000	–	100%	Provision of consultancy services
AEC Green Construction Limited	BVI	HK$10,000	–	100%	Provision of green construction services

2.1 Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed in note 4.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Except for the early adoption of HKFRS 15, *Revenue from contracts with customers* since the year ended 31 March 2016, the Group has not adopted any new standards or interpretations that are not yet effective for the current accounting period. The revised and new accounting standards and interpretations issued but not yet effective for the current accounting year are set out in note 3.

2.2 Basis of Preparation and Presentation

The financial statements for the year ended 31 March 2017 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 arrangements the Company has undergone in preparation for the listing of shares of the Company on the GEM (the "Reorganisation"), 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 on 22 September 2016, 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 on 30 January 2015. On 24 March 2015, the then shareholders of 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 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 treated as the acquirer for accounting purposes. These financial statements have been prepared and presented as a continuation of the financial statements of AEC BVI and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence since 1 April 2015 and throughout the entire reporting period.

The shares of the Company were listed on GEM on 17 October 2016. 204,000,000 shares of the Company were issued at a placing price of $0.28 per share. On the same date, 995,990,000 of the Company's new shares were issued through capitalisation of $9,960,000 standing to the credit of the share premium account of the Company.

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

2.3 Basis of Measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the available-for-sale financial assets are stated at their fair value as explained in the accounting policy set out in note 4.

This consolidated financial statements are presented in thousands of Hong Kong dollars ("$'000"), unless otherwise stated.

2.4 Use of Estimates and Judgements

The preparation of these 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.

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 5.

3 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

3 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2017 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale financial assets is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in note 4. This change in policy will have no impact on the Group's net assets and total comprehensive income but may impact on reported performance amounts such as profit and earnings per share.

3 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's accounts receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 16, Leases

The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 27, at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to $1,186,000. Some of the amount may need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

4 Summary of Significant Accounting Policies (Continued)

Subsidiaries (Continued)

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, the recoverable amount of property, plant and equipment is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

4 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

– Land and building	Over the remaining lease terms
– Furniture, fixtures and office equipment	25 to 33$^{1}/_{3}$%
– Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Available-for-sale financial assets are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the revaluation reserve until the investment is derecognised or impaired, at which time the cumulative gain or loss recognised is reclassified from the revaluation reserve to profit or loss as other gains or losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

Financial assets classified as available-for-sale securities

Available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. If any such evidence exists, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

4 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables and accruals.

Subsequent measurement

Loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4 Summary of Significant Accounting Policies (Continued)

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. "Control" refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from an asset.

Revenue is recognised progressively based on the contract costs incurred to date as a percentage of total forecast costs to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress towards complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its consolidated statement of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group.

Any unconditional rights to consideration are presented separately as "Accounts receivable".

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

Employee benefits

Share award scheme

The Group operates a share award scheme for the purposes of providing the selected participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Group and provide additional incentive for them to achieve performance goals with a view to achieve the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the shareholders of the Company through ownership of shares.

Shares held under share award scheme

The shares held under share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from total equity.

4 Summary of Significant Accounting Policies (Continued)

Employee benefits (Continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in these financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5 Significant Accounting Estimates

The preparation of these financial statements 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

As further explained in note 4 to these financial statements, 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.

6 Segment Information

For management purposes, the Group is organised into 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) Acoustic, 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) Environmental, Social and Governance ("ESG") reporting and consultancy segment involves ESG reporting and consultancy.

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

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

6 Segment Information (Continued)

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Green building certification consultancy		Sustainability and environmental consultancy		Acoustics, noise and vibration control and audio-visual design consultancy		ESG reporting and consultancy		Total	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Segment revenue:										
Revenue										
Hong Kong	**18,036**	18,400	**8,222**	8,448	**2,768**	2,314	**3,718**	513	**32,744**	29,675
Mainland China	**374**	770	**272**	–	**1,139**	1,566	**–**	–	**1,785**	2,336
Macau	**80**	137	**390**	13	**97**	378	**–**	–	**567**	528
	18,490	19,307	**8,884**	8,461	**4,004**	4,258	**3,718**	513	**35,096**	32,539
Segment results	**10,865**	12,189	**4,697**	5,248	**1,450**	1,982	**2,265**	317	**19,277**	19,736
Reconciliation										
Unallocated income									**96**	560
Unallocated expenses:										
– Listing expenses									**(12,480)**	(5,373)
– Others									**(11,691)**	(7,305)
Finance costs									**–**	(11)
(Loss)/profit before tax									**(4,798)**	7,607
Segment assets	**24,069**	16,701	**8,671**	5,932	**5,476**	3,854	**2,404**	331	**40,620**	26,818
Reconciliation										
Unallocated assets									**44,474**	23,578
Total assets									**85,094**	50,396
Segment liabilities	**119**	596	**275**	315	**8**	44	**–**	30	**402**	985
Reconciliation										
Unallocated liabilities									**2,783**	5,618
Total liabilities									**3,185**	6,603
Other segment information										
Impairment of accounts receivable	**55**	313	**135**	189	**83**	65	**–**	–	**273**	567
Write-back of impairment of accounts receivable	**–**	(130)	**(125)**	(130)	**–**	–	**–**	–	**(125)**	(260)
Unallocated:										
– Depreciation									**301**	242
– Capital expenditure*									**1,256**	199

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

6 Segment Information (Continued)

(a) Geographical information

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

(b) The Group's non-current assets were located in Hong Kong as at 31 March 2016 and 2017.

(b) Information about major customers

Revenue of approximately $3,787,000 and $78,000 was derived from services provided for green building certification consultancy and sustainability and environmental consultancy segments, respectively, for the year ended 31 March 2016 to a single customer including services provided to a group of entities which are known to be under common control with that customer.

No revenue from a single external customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2017.

7 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under the contracts with customers, each consultancy service contract relates to facts and circumstances that are specific to each customer. Contract terms provide the Group with an enforceable right to payment, for its performance completed to date, of its costs incurred plus a reasonable margin. Revenue is recognised progressively based on contract costs incurred to date as a percentage of total forecast costs.

Revenue is recognised over time and is disaggregated by nature of consultancy services and primary geographical market in note 6 to these financial statements.

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2017 and 2016.

	2017 $'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 March 2018	**27,589**
31 March 2019	**8,695**
After 31 March 2019	**4,338**
	40,622

7 Revenue (Continued)

Remaining performance obligations (Continued)

	2016 $'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 March 2017	24,413
31 March 2018	9,410
After 31 March 2018	5,653
	39,476

8 Finance Costs

	2017 $'000	2016 $'000
Interest on a bank loan	**–**	11

9 (Loss)/Profit Before Tax

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

	2017 $'000	2016 $'000
Depreciation	**301**	242
Auditors' remuneration		
– Audit services	**976**	100
Employee benefit expense: (including director's emoluments (note 10))		
– Wages and salaries	**16,157**	11,021
– Pension scheme contributions (defined contribution scheme)	**506**	482
	16,663	11,503
Impairment of accounts receivable* (note 18)	**273**	567
Write-back of impairment of accounts receivable*	**(125)**	(260)
Minimum lease payments under operating leases for land and buildings	**2,976**	2,265
Gain on disposal of items of property, plant and equipment	**(8)**	(560)

* Included in "Other expenses" in profit or loss.

10 Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 March 2017

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2017 Total $'000
Chairman					
Ms KWOK May Han, Grace (note (i))	–	1,536	59	18	1,613
Non-executive director					
Mr WU Dennis Pak Kit (note (ii))	120	–	–	–	120
Independent non-executive directors					
Mr LIE Kong Sang (note (iii))	60	–	–	–	60
Ms WONG Yee Lin Elaine (note (iii))	60	–	–	–	60
Professor LAM Kin Che (note (iii))	60	–	–	–	60
	300	1,536	59	18	1,913

For the year ended 31 March 2016

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2016 Total $'000
Chairman					
Ms KWOK May Han, Grace	–	1,407	–	18	1,425
Non-executive director					
Mr WU Dennis Pak Kit	–	–	–	–	–
	–	1,407	–	18	1,425

Notes:

(i) Ms KWOK May Han, Grace was appointed as an executive director and chairman of the Company on 11 November 2015.

(ii) Mr WU Dennis Pak Kit was appointed as a non-executive director of the Company on 13 November 2015.

(iii) Mr LIE Kong Sang, Ms WONG Yee Lin Elaine and Professor LAM Kin Che were appointed as independent non-executive directors of the Company on 23 September 2016.

11 Five Highest Paid Employees

One (31 March 2016: one) of the five highest paid individuals was a director of the Company for the year ended 31 March 2017. Details of her remuneration are set out in note 10 to these financial statements. Details of the remuneration of the remaining four (31 March 2016: four) non-director highest paid employees for the year ended 31 March 2017 are as follows:

	2017 $'000	2016 $'000
Salaries, allowances and benefits in kind	**2,723**	1,720
Discretionary performance-related bonuses	**108**	–
Pension scheme contributions	**72**	70
	2,903	1,790

The remuneration of the four (31 March 2016: four) non-director highest paid employees for the year ended 31 March 2017 fell within the band of $Nil to $1,000,000.

During the years ended 31 March 2017 and 2016, no remuneration was paid by the Group to any of the non-director highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12 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 the years ended 31 March 2017 and 2016. PRC Corporate Income Tax ("CIT") has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for the years ended 31 March 2017 and 2016.

	2017 $'000	2016 $'000
Current – Hong Kong		
Charge for the year	**1,196**	4,309
Over-provision in respect of prior year	**(53)**	–
	1,143	4,309
Current – PRC		
Charge for the year	**51**	83
Deferred tax (note 23)	**96**	(2,233)
Total tax charge for the year	**1,290**	2,159

12 Income Tax (continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2017 $'000	2016 $'000
(Loss)/profit before tax	**(4,798)**	7,607
Notional tax at the rates applicable to losses in the relevant tax jurisdictions	**(792)**	1,255
Income not subject to tax	**(55)**	(92)
Expenses not deductible for tax	**2,139**	889
Effect of CIT on PRC service income	**51**	83
Over-provision in respect of prior year	**(53)**	–
Others	**–**	24
Tax charge at the effective rate	**1,290**	2,159

13 Other Comprehensive Income

Components of other comprehensive income

	2017 $'000	2016 $'000
Available-for-sale financial assets:		
Change in fair value during the period recognised in other comprehensive income	**151**	–

There is no tax effect relating to the net movement of available-for-sale financial assets for the year ended 31 March 2017 and 2016.

14 (Loss)/Earnings Per Share Attributable to Owners of the Company for the Year

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

	2017 $'000	2016 $'000
(Loss)/earnings		
(Loss)/earnings for the year attributable to owners of the Company	**(6,088)**	5,448
Number of shares:		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,086,498,630**	962,405,610

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined as if the Reorganisation and the capitalisation issue (details as disclosed in note 2.2) had been effective on 1 April 2015, and excludes the weighted average number of shares held under the Company's share award scheme.

No diluted (loss)/earnings per share for the years was presented as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2017 and 2016.

15 Property, Plant and Equipment

	Land and building $'000	**Furniture, fixtures and office equipment** $'000	**Motor vehicles** $'000	**Total** $'000
At 1 April 2015				
Cost	500	2,232	1,129	3,861
Accumulated depreciation	(180)	(2,024)	(1,046)	(3,250)
Net carrying amount	320	208	83	611
At 1 April 2015, net of accumulated depreciation	320	208	83	611
Additions	–	199	–	199
Disposals	(318)	–	–	(318)
Depreciation provided during the year	(2)	(157)	(83)	(242)
At 31 March 2016, net of accumulated depreciation	–	250	–	250
At 31 March 2016				
Cost	–	2,431	1,129	3,560
Accumulated depreciation	–	(2,181)	(1,129)	(3,310)
Net carrying amount	–	250	–	250
At 1 April 2016				
Cost	–	2,431	1,129	3,560
Accumulated depreciation	–	(2,181)	(1,129)	(3,310)
Net carrying amount	–	250	–	250
At 1 April 2016, net of accumulated depreciation	–	250	–	250
Additions	–	1,000	256	1,256
Depreciation provided during the year	–	(280)	(21)	(301)
At 31 March 2017, net of accumulated depreciation	–	970	235	1,205
At 31 March 2017				
Cost	–	3,431	256	3,687
Accumulated depreciation	–	(2,461)	(21)	(2,482)
Net carrying amount	–	970	235	1,205

16 Available-for-sale Financial Assets

	2017 **$'000**	2016 $'000
Listed equity securities at fair value (note 31)		
– Listed in Hong Kong	**1,897**	–

17 Contract balances

	2017 **$'000**	2016 $'000
Contract assets	**29,460**	17,398
Contract liabilities	**(159)**	(676)
	29,301	16,722
Contract costs incurred plus recognised profits less recognised losses to date	**75,952**	50,882
Less: Progress billings	**(46,651)**	(34,160)
	29,301	16,722

The amount of revenue recognised during the year ended 31 March 2017 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of the stage of completion, is $1,256,000 (31 March 2016: $1,271,000).

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Movement in the contract assets and the contract liabilities balances during the year are as follows:

	2017		2016	
	Contract assets $'000	**Contract liabilities $'000**	Contract assets $'000	Contract liabilities $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	**635**	–	3,171
Transfers from contract assets recognised at the beginning of the year to receivables	**(9,612)**	**–**	(5,266)	–

18 Accounts Receivable

	2017 **$'000**	2016 $'000
Accounts receivable	**11,195**	10,854
Impairment	**(1,582)**	(1,434)
	9,613	9,420

18 Accounts Receivable (Continued)

Accounts receivable represent receivables for contract works. Accounts receivable are due within 0 to 60 days from the date of billing. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	2017 **$'000**	2016 $'000
Within 1 month	**734**	2,119
Over 1 month but less than 3 months	**2,825**	2,330
Over 3 months but less than 6 months	**1,007**	1,717
Over 6 months but less than 12 months	**2,590**	2,042
Over 12 months but less than 24 months	**1,834**	1,068
Over 24 months	**623**	144
	9,613	9,420

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

	2017 **$'000**	2016 $'000
At the beginning of the year	**1,434**	1,127
Impairment losses recognised (note 9)	**273**	567
Write-back of impairment (note 9)	**(125)**	(260)
At the end of the year	**1,582**	1,434

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

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

	2017 **$'000**	2016 $'000
Neither past due nor impaired	**734**	1,076
Less than 1 month past due	**1,499**	1,908
1 to 3 months past due	**1,326**	1,724
4 to 6 months past due	**1,370**	1,545
Over 6 months past due	**4,684**	3,167
	9,613	9,420

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19 Prepayments, Deposits and Other Receivables

	2017 **$'000**	2016 $'000
Prepayments	**1,516**	2,801
Deposits and other receivables	**2,244**	1,684
	3,760	4,485

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20 Cash and Cash Equivalents

	2017 **$'000**	2016 $'000
Cash and bank balances	**39,062**	18,843

Cash at banks earns interest at floating rates based on daily bank deposit rates.

21 Accounts Payable

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	2017 **$'000**	2016 $'000
Within 1 month	**–**	163
Over 1 month but less than 3 months	**–**	35
Over 6 months	**243**	111
	243	309

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

22 Other Payables and Accruals

	2017 **$'000**	2016 $'000
Accruals	**1,004**	955
Other payables	**292**	848
	1,296	1,803

23 Deferred Tax

The movements of deferred tax liabilities during the year are as follows:

	Temporary difference arising from revenue recognition $'000	Depreciation allowance in excess of related depreciation $'000	Total $'000
At 1 April 2015	(2,214)	(34)	(2,248)
Credited to profit or loss (note 12)	2,214	19	2,233
At 31 March 2016 and 1 April 2016	–	(15)	(15)
Charged to profit or loss (note 12)	–	96	96
At 31 March 2017	–	111	111

24 Issued Capital

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

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

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

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

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 $9,960,000 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 $0.28 per share. Since then, the share capital represented 1,200,000,000 shares of the Company at HK$0.01 each.

The reconciliation between the opening and closing balances of the Company's issued capital is set out below:

	2017		2016	
	No. of shares	**$'000**	No. of shares	$'000
Ordinary shares of $0.01 each, issued and fully paid:				
At 1 April/11 November 2015 (date of incorporation)	**1**	**–**	1	–
Issue of shares in respect of the Reorganisation	**9,999**	**–**		
Capitalisation issue of shares	**995,990,000**	**9,960**	–	–
Issue of shares	**204,000,000**	**2,040**	1	–
At 31 March	**1,200,000,000**	**12,000**	1	–

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25 Reserves

Other reserve comprises the share premium account of the Company, and the excess of the consideration for issuance of shares of AEC BVI over their nominal value, net of the excess of the nominal value of shares of AEC BVI over the nominal value of shares of AEC Hong Kong exchanged as part of the Reorganisation.

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4.

The shares held under share award scheme represents the aggregate price paid for 16,000,000 shares of the Company for the purpose of the Share Award Scheme (the "Scheme").

The Company adopted the Scheme on 8 February 2017. Pursuant to the rules of the Scheme, the Company has set up a trust, and BOCI-Prudential Trustee Limited (the "Trust") acted as the trustee. The Company's shares may be purchased by the Trustee from the Group and be held in trust for the selected participants until such shares are vested. During the year ended 31 March 2017, no shares were granted to any participants.

26 Dividend

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

The Board of directors has resolved not to declare the payment of any dividend in respect of the year ended 31 March 2017.

27 Operating Lease Arrangements

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

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

	2017 **$'000**	2016 $'000
Within one year	**1,186**	1,103
In the second to fifth year, inclusive	**–**	385
	1,186	1,488

28 Capital Commitments

At 31 March 2017, the Group had the following capital commitments in relation to the purchase of intangible assets not provided for in the financial statements:

	2017 **$'000**	2016 $'000
Contracted for	**136**	–

29 Related Party Transactions

During the year ended 31 March 2016, the Directors were of the view that Man Acoustics Limited ("Man Acoustics"), an entity controlled by Dr. WONG Wing Ho, James, who was a director of a subsidiary of the Company until 30 September 2015, was a related party of the Group.

29 Related Party Transactions (Continued)

In addition to the balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year ended 31 March 2017:

	2017 **$'000**	2016 $'000
Project management fees to Man Acoustics	**–**	369
Disposal of land and building (car parking space) to Dr. WONG Wing Ho, James, a former director of AEC Hong Kong	**–**	900

The compensation of key management personnel of the Group for the years ended 31 March 2017 and 2016 represented the directors' emoluments as disclosed in note 10 to these financial statements.

30 Financial Instruments by Category

As at 31 March 2016 and 2017, all the financial assets and liabilities of the Group were loans and receivables and financial liabilities at amortised cost, respectively, except for the available-for-sale financial assets which have been measured at fair value.

31 Fair Value and Fair Value Hierarchy of Financial Instruments

The fair value measurement of the listed available-for-sale financial assets measured at the end of the reporting period on a recurring basis is categorised into Level 1 of the fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. Management has assessed that the fair values of accounts receivable, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, accounts payable and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

During the years ended 31 March 2016 and 2017, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

32 Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group is also exposed to equity price risk arising from investments in equity securities. The risks associated with financial instruments and the policies on how to mitigate these risks are described below.

Management monitors closely the Group's exposures to financial risks to ensure that appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not hold any collateral over these receivable balances.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There are no significant concentrations of credit risk within the Group as the customer base of the Group is widely diversified.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 18 and 19, respectively, to these financial statements.

32 Financial Risk Management Objectives and Policies (Continued)

(b) Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	Within one year or on demand	
	2017	2016
	$'000	$'000
Accounts payable	**243**	309
Financial liabilities included in other payables and accruals	**1,296**	1,803
	1,539	2,112

(c) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets (see note 16). All of these investments are listed.

Listed Investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

At 31 March 2017, it is estimated that an increase/(decrease) of 10% in the market value of the Group's available-for-sale financial assets, with all other variables held constant, would have increased/decreased the Group's other components of consolidated equity by $190,000. Loss after tax and retained profits would not be affected unless there were impairments. The Group did not hold any available-for-sale financial assets as at 31 March 2016.

(d) Capital management

The Group defines "capital" as total equity.

The Group monitors capital using a gearing ratio, which is interest-bearing bank loan divided by the total equity. The Group does not have any bank borrowings as at 31 March 2017 and 2016.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group is not subject to any externally imposed capital requirements.

33 Financial Information of the Company

(a) Statement of financial position

	2017 $'000	2016 $'000
Non-current assets		
Investment in a subsidiary	**94,727**	–
Current assets		
Cash and cash equivalents	**367**	–
Current liabilities		
Amount due to a subsidiary	**10,680**	34
Net current liabilities	**(10,313)**	(34)
Net assets/(liabilities)	**84,414**	(34)
Capital and reserves		
Issued capital	**12,000**	–
Other reserves	**76,861**	–
Shares held under share award scheme	**(4,099)**	–
Accumulated losses	**(348)**	(34)
Total equity/(deficiency in assets)	**84,414**	(34)

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Issued capital $'000	Share premium $'000	Capital reserve $'000	Shares held under share award scheme $'000	Accumulated losses $'000	(Total deficiency in assets)/ total equity $'000
At 11 November 2015 (date of incorporation)	24	–	–	–	–	–	–
Loss and total comprehensive income for the year		–	–	–	–	(34)	(34)
At 31 March 2016		–	–	–	–	(34)	(34)
At 1 April 2016		–	–	–	–	(34)	(34)
Loss and total comprehensive income for the year		–	–	–	–	(314)	(314)
Issue of shares	24	2,040	55,080	–	–	–	57,120
Capitalisation issue of shares	24	9,960	(9,960)	–	–	–	–
Arising from group reorganisation		–	–	37,607	–	–	37,607
Transaction costs directly attributable to issue of shares		–	(5,866)	–	–	–	(5,866)
Purchase of shares under share award scheme	25	–	–	–	(4,099)	–	(4,099)
At 31 March 2017		12,000	39,254	37,607	(4,099)	(348)	84,414

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2017 $'000	2016 $'000	2015 $'000
Revenue	**35,096**	32,539	28,347
Gross profit	**19,425**	20,043	17,576
(Loss)/profit before taxation	**(4,798)**	7,607	12,057
(Loss)/profit for the year	**(6,088)**	5,448	9,997
Attributable to:			
Owners of the Company	**(6,088)**	5,448	9,997
Basic (loss)/earnings per share (cents)	**(0.56)**	0.57	–*

Consolidated Statement of Financial Position

		As at 31 March	
	2017 $'000	2016 $'000	2015 $'000
Assets and liabilities			
Assets			
Non-current assets	**3,199**	250	611
Current assets	**81,895**	50,146	36,421
Total assets	**85,094**	50,396	37,032
Liabilities			
Current liabilities	**3,074**	6,588	7,289
Non-current liabilities	**111**	15	2,248
Total liabilities	**3,185**	6,603	9,537
Net Current assets	**78,821**	43,558	29,132
Total assets less current liabilities	**82,020**	43,808	29,743
Total equity attributable to owners of the Company	**81,909**	43,793	27,495

Note: The figures for the years ended 31 March 2016 and 2015 are extracted from the Prospectus in relation to the listing of the Company's shares on GEM dated 30 September 2016 (the "Prospectus").

* Earning per share information for the year ended 31 March 2015 is not meaningful due to the reorganization of the Group as disclosed in note 2.2 to the consolidated financial statements of this report.