



沛然環保

**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

2020 FIRST QUARTERLY REPORT



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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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Financial Highlights

Revenue of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2020 amounted to approximately HK\$8.5 million while gross profit of the Group for the same period amounted to approximately HK\$4.1 million.

The net profit after tax of the Group for the three months ended 30 June 2020 amounted to approximately HK\$0.3 million, as compared with the net profit after tax of approximately HK\$0.3 million for the three months ended 30 June 2019. The net profit after tax remained stable which was mainly attributed to (i) the Group’s enhanced utilization on subcontracting services of ecology, green building certification, environmental impact monitoring and laboratory testing works for the three months ended 30 June 2020 as the Group had sufficient in-house professional staff on these aspects and (ii) the Group’s continuous implementation of stringent cost control by streamlining operations, rationalizing overheads and strengthening cost control on professional services fees.

The board of Directors (the “Board”) has resolved not to declare the payment of any dividend for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

The Board announces the unaudited first quarterly consolidated results of the Group for the three months ended 30 June 2020 ("Period"), together with the relevant comparative unaudited figures for the corresponding period in 2019, which have not been reviewed by the independent auditor but have been reviewed and approved by the audit committee of the Company (the "Audit Committee"), as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2020

	Notes	Unaudited Three months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	4	8,476	9,826
Cost of services provided		(4,411)	(5,442)
Gross profit		4,065	4,384
Other income and gains		131	77
Administrative expenses		(3,755)	(4,066)
Finance costs	5	(92)	(35)
Profit before income tax	6	349	360
Income tax expenses	7	(58)	(56)
Profit for the period wholly attributable to owners of the Company		291	304
Other comprehensive income/(loss) for the period, net of tax			
Item that will not be reclassified to profit or loss:			
– Change in fair value of equity investments designated at fair value through other comprehensive income		203	(839)
Total comprehensive income/(loss) for the period wholly attributable to owners of the Company		494	(535)
Earnings per share attributable to owners of the Company			
– Basic earnings per share (HK cents)	8	0.02	0.03
– Diluted earnings per share (HK cents)	8	0.02	0.03

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2020

	Wholly attributable to owners of the Company						Total equity HK\$'000
	Issued capital HK\$'000	Other reserve HK\$'000	Revaluation reserve HK\$'000	Shares held under Share Award Scheme HK\$'000	Shares award reserve HK\$'000	Retained profits/(accumulated losses) HK\$'000	
At 1 April 2019	12,000	61,653	(309)	(5,077)	348	(3,139)	65,476
Profit and total comprehensive income for the period	-	-	(839)	-	-	304	(535)
At 30 June 2019	12,000	61,653	(1,148)	(5,077)	348	(2,835)	64,941
At 1 April 2020	12,000	61,456	(2,534)	(4,411)	303	(2,368)	64,446
Profit for the period	-	-	-	-	-	291	291
Other comprehensive income for the period:							
Change in fair value of equity investments designated at fair value through other comprehensive income	-	-	203	-	-	-	203
Total comprehensive income for the period	-	-	203	-	-	291	494
Issuance of shares upon placing	1,200	4,104	-	-	-	-	5,304
Issuance of shares to share award grantee (Note)	-	(685)	-	685	-	-	-
Equity-settled share-based payments	-	-	-	-	140	-	140
At 30 June 2020	13,200	64,875	(2,331)	(3,726)	443	(2,077)	70,384

Note: The Company adopted a share award scheme on 8 February 2017. For details, please refer to the section headed "Share Award Scheme" in this report.

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

1. Corporate Information and Basis of Preparation

(a) 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's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company's subsidiaries were principally engaged in the provision of 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 and the People's Republic of China (the "PRC").

In the opinion of the directors of the Company, the ultimate holding company is Gold Investments Limited, a company incorporated in the British Virgin Islands (the "BVI"). Ms. Kwok May Han Grace, the chairman and an executive director of the Company and Mr. Wu Dennis Pak Kit, the vice chairman and an executive director of the Company, being the controlling shareholders of Gold Investments Limited, are the controlling shareholders of the Company.

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

(b) Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2020 (the "Financial Information") comprise the financial information of the Company and its subsidiaries and should be read in conjunction with the audited annual financial statements for the year ended 31 March 2020. Except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 April 2020, the accounting policies and methods of computation applied in preparing the Financial Information are consistent with those described in the annual financial statements for the year ended 31 March 2020.

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

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

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

1. Corporate Information and Basis of Preparation (Continued)

(b) Basis of Preparation (Continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in note 3.

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

2. Accounting Policies

The accounting policies and methods of computation used in the Financial Information are the same as those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 March 2020 included in the 2020 annual report.

3. Significant Accounting Estimates

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

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

Revenue

The Group's revenue is derived from contracts with customers that the Group promises to provide consultancy services to the customer in accordance with the customer's specification. Under HKFRS 15, revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date (i.e. costs incurred plus reasonable profit margin). Significant judgement is required in assessing whether such criteria are met. The Group has considered the terms explicitly stated in the contracts and the business practice in this industry. The directors of the Company assessed and concluded the services performed do not have any alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, in particular, based on certain explicit terms in the contracts and the past practice which gives the Group the right to be paid for work done to date if the customer were to terminate the contract for reasons other than the Group's failure to perform as promised. Accordingly, revenue from provision of consultancy services is considered to be performance obligation to be satisfied over time.

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

3. Significant Accounting Estimates (Continued)

Revenue (Continued)

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 contractual 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.

Provision of expected credit loss ("ECL") for account receivable and contract assets

The Group uses provision matrix to calculate ECL for accounts receivable and contract assets. The provision rates are based on the Group's historical settlement experience as groupings of various debtors that have similar loss patterns. The provision matrix is based on the provision rates, taking into forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable and contract assets are disclosed in annual report as at 31 March 2020.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that non-financial assets, with definite useful lives, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets in accordance with the accounting policy. In assessing whether there is any indication that non-financial assets may be impaired, the Group considers indications from both internal and external sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market conditions and economic environment. These assessments are subjective and require management's judgements and estimations.

During the period ended 30 June 2020, no impairment loss on property, plant and equipment and intangible assets were recognised by the Group (30 June 2019: Nil).

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

3. Significant Accounting Estimates (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by the management. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

4. Revenue

For management purposes, the Group is divided into different business units based on their services and has four reportable operating segments as follows:

- (a) Green building certification consultancy segment involves consultancy on the application of green building certification for new buildings, existing buildings and interiors of buildings;
- (b) Sustainability and environmental consultancy segment involves consultancy on sustainability and environmental impact assessment for compliance with statutory requirements in relation to environmental impact and pollution control;
- (c) Acoustics, noise and vibration control and audio-visual design consultancy segment involves designs for architectural acoustic, mechanical vibration, noise control and audiovisual systems; and
- (d) ESG reporting and consultancy segment involves ESG reporting and consultancy.

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

4. Revenue (Continued)

	Unaudited Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
An analysis of the Group's revenue during the period is as follows:		
Revenue from provision of		
Green building certification consultancy	4,012	5,438
Sustainability and environmental consultancy	1,314	2,144
Acoustics, noise and vibration control and audio-visual design consultancy	2,289	1,235
ESG reporting and consultancy	861	1,009
	8,476	9,826

5. Finance Costs

	Unaudited Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest on a bank loan and bank overdrafts	30	35
Interest on lease liabilities	62	–
	92	35

6. Profit Before Income Tax

The Group's profit before income tax is arrived at after charging:

	Unaudited Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Amortisation of intangible assets	35	35
Depreciation of property, plant and equipment	187	116
Depreciation of right-of-use assets	969	–
Employee benefit expense:		
(including Directors' emoluments)		
– Salaries, allowances and benefits in kind	5,333	4,917
– Retirement benefit scheme contributions (defined contribution scheme)	189	180
Minimum lease payments under operating leases for land and buildings	–	1,004

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

7. Income Tax Expenses

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI (three months ended 30 June 2019: Nil). Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the reporting periods. PRC Corporate Income Tax has been provided at the rate of 25% on the estimated assessable profits arising in the PRC for each of the reporting periods.

	Unaudited Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Deferred tax and current Hong Kong tax charged for the period	58	56
Income tax expense for the period	58	56

8. Earnings per Share Attributable to Owners of the Company for the Period

Basic earnings per share

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

	Unaudited Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit for the period attributable to owners of the Company used in the calculation of basic earnings per share	291	304

	Unaudited Three months ended 30 June	
	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares:		
Issued ordinary shares at the beginning of period	1,180,800,000	1,177,900,000
Net effect of shares issued to the grantees under Share Award Scheme and issuance of shares upon placing	35,269,890	1,374,388
Weighted average number of ordinary shares for the purpose of the basic earnings per share	1,216,069,890	1,179,274,388

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

8. Earnings per Share Attributable to Owners of the Company for the Period (Continued)

Diluted earnings per share

The calculation of the diluted earnings per share attributable to owners of the Company is based on profit for the period attributable to owners of the Company and the adjusted weighted average number of ordinary shares outstanding of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

	Unaudited Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit for the period attributable to owners of the Company used in calculating diluted earnings per share	291	304

	Unaudited Three months ended 30 June	
	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	1,216,069,890	1,179,274,388
Adjustments for calculation of diluted earnings per share:		
Share Award Scheme	7,339,356	1,521,858
Adjusted weighted average number of ordinary shares for the purpose of the diluted earnings per share	1,223,409,246	1,180,796,246

Notes to the Unaudited Condensed Consolidated Financial Information

For the three months ended 30 June 2020

8. Earnings per Share Attributable to Owners of the Company for the Period (Continued)

Diluted earnings per share (Continued)

As at 30 June 2020 and 2019, the Company had outstanding restricted shares awarded to selected participants under the Share Award Scheme. For such outstanding restricted shares, the number of shares that would have been issued assuming the exercise of the share award less the number of shares that could have been issued at fair value (determined as the weighted average amount per employee to be recognised over the remainder of the vesting period for employee services to be rendered per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share for the three months ended 30 June 2020.

9. Dividends

The Board has resolved not to declare the payment of any dividend in respect of the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

Management Discussion and Analysis

Industry Review

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

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

Business Review

The Company's subsidiaries are specialised in the provision of (i) green building certification consultancy; (ii) sustainability and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy. The four business segments respectively contributed approximately 47.3%, 15.5%, 27.0% and 10.2% to the Group's overall revenue for the three months ended 30 June 2020. The Group derives the majority of its revenue from green building certification consultancy, and acoustics, noise and vibration control and audio-visual design consultancy.

Green Building Certification Consultancy

This segment mainly provides environmental design and one-stop certification application services for developers and owners to enhance environmental performance and sustainability of their buildings. The Group provides professional consultancy services for its customers to meet global green building standards, including but not limited to Building Environmental Assessment Method (BEAM/BEAM Plus), Leadership in Energy and Environmental Design (LEED) and China Green Building Design Label (China GBL). As at 30 June 2020, the Group had 213 (as at 30 June 2019: 184) projects on green building certification on hand which were mainly from property developers, contractors, architects, designers and government authorities.

Sustainability and Environmental Consultancy

This segment is mainly engaged in the provision of sustainable design solutions to architects for urban regeneration, sustainable development and integrated planning. The solutions include but not limited to providing environmental impact assessment, noise impact assessment, air quality impact assessment, air ventilation assessment, carbon/energy audit and built environmental study. As at 30 June 2020, the Group had 122 (as at 30 June 2019: 108) projects on sustainability and environmental consultancy on hand which were mainly from property developers, contractors, architects, designers and government departments.

Acoustics, Noise and Vibration Control and Audio-visual Design Consultancy

This segment provides services to assist architects and engineers to test and evaluate environmental performance of various materials and products for buildings. The services include but are not limited to architectural acoustics, building acoustics, mechanical service and airborne noise control, sound reinforcement and public address system, architectural and facade lighting system as well as theatre planning and stage equipment system. As at 30 June 2020, the Group had 97 (as at 30 June 2019: 56) projects on acoustics, noise and vibration control and audio-visual design consultancy on hand which were mainly from property developers, architects and designers.

Business Review (Continued)

ESG Reporting and Consultancy

This segment provides consultancy services on ESG reporting for companies listed on the Stock Exchange, which are required or otherwise encouraged by the Stock Exchange to identify and disclose ESG issues and key performance indicators that are non-financial information but reflect significant environmental and social impacts, and ultimately influence the assessments and decisions of stakeholders. The Group provides a one-stop solution from identifying the material aspects of ESG issues and formulating ESG implementation plan to the preparation of an ESG report. As at 30 June 2020, the Group had 54 (as at 30 June 2019: 31) projects on ESG reporting and consultancy on hand across various industries.

Prospects

It is the Group's all-time commitment of continuing to serve Hong Kong and benefit the society in the future, and also our vision to expand the business to all over the world. Apart from the market in Hong Kong, the Group is endeavoring to expand our project portfolio across the Southeast Asia and other regions in the long run under the development plan of the Belt and Road Initiative. During the Period, the Group has successfully secured a green building consultancy contract in Yangon, Myanmar, which laid the foundation for expansion of our business. The Group will continue to look for other possible opportunities to develop its business to different countries and regions to expand its geographical coverage of environmental consultancy, solutions and products.

According to the consultation conclusion on "Review of the ESG Reporting Guide and related Listing Rules" published by the Stock Exchange in December 2019, a number of significant improvements to the ESG governance and disclosure framework for Hong Kong-listed companies have been put forward to support and improve listed companies' governance and disclosure of ESG activities and metrics, which has taken effect since July 2020. We believe that the enhanced ESG disclosures will result in the increase in demand for ESG consultancy services, which would widen the Group's business scope in this segment.

Furthermore, in May 2020, the Hong Kong Monetary Authority and the Securities and Futures Commission initiated the establishment of the Green and Sustainable Finance Cross-Agency Steering Group, which aims to coordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies. In June 2020, Hong Kong Exchanges and Clearing Limited ("HKEX") has announced plans to launch the HKEX Sustainable and Green Exchange ("STAGE"). This pioneering new information platform is the first-of-its kind in Asia, and will act as a central hub for data and information on sustainable and green finance investments in the region, with a view to promoting the visibility, transparency, and accessibility of sustainable and green financial products.

Prospects (Continued)

With the growing awareness on green finance and investment, it is believed that there will be higher demand for green finance and impact investment consultancy services. Given the Group's active involvement in several professional memberships and collaboration with various technical partners, we are prepared for growing business opportunities driven by the region's green finance development through providing one-stop green finance consultancy services from planning to completion, covering green finance framework development, verification, fundraising through licensed financial institution partners, etc.. The Group will keep monitoring the market circumstances and identify and seize the opportunities for the interests of our shareholders.

After the outbreak of COVID-19 all over the world, people start to take action and focus on public health and overall well-being, and the collective ability to prepare for and respond to global health challenges. Meanwhile, climate change has posed various threats to our living environment, including rising temperature and extreme weather conditions. When it comes to facing these interconnected crises, a green recovery from the COVID-19 pandemic could help addressing both human and global health issues. The Group believes that there will be more business opportunities for green and healthy buildings in the long run, and we will continue to look for opportunities to participate in these projects so as to join hands with all sectors to shape a healthy and sustainable environment.

Financial Review

Revenue

The total revenue of the Group decreased from approximately HK\$9.8 million for the three months ended 30 June 2019 to approximately HK\$8.5 million for the three months ended 30 June 2020, representing a decrease of approximately 13.7%. As at 30 June 2020, the Group had 486 projects on hand, the aggregate contract sum of which amounted to approximately HK\$173 million.

The revenue of green building certification consultancy significantly decreased by 26.2% from approximately HK\$5.4 million for the three months ended 30 June 2019 to approximately HK\$4.0 million for the three months ended 30 June 2020, which was resulted from the slowdown in the progress of the contracted service work of our on-going projects attained in this segment.

Financial Review (Continued)

Revenue (Continued)

The revenue of sustainability and environmental consultancy decreased by 38.7% from approximately HK\$2.1 million for the three months ended 30 June 2019 to approximately HK\$1.3 million for the three months ended 30 June 2020, which was mainly due to the slowdown in the progress of the projects and keen competition in this segment.

The revenue of acoustics, noise and vibration control and audio-visual design consultancy increased by approximately 85.3% from approximately HK\$1.2 million for the three months ended 30 June 2019 to approximately HK\$2.3 million for the three months ended 30 June 2020, which was mainly due to an increment of new contracts awarded to the Group and substantial progress of the contracted service work of our on-going projects attained in this segment.

The revenue of ESG reporting and consultancy slightly decreased by approximately 14.7% from approximately HK\$1.0 million for the three months ended 30 June 2019 to approximately HK\$0.9 million for the three months ended 30 June 2020, which was due to the keen competition in this segment.

The table below sets forth the breakdown of the turnover by segments for the three months ended 30 June 2019 and 2020 respectively:

	Unaudited					
	Three months ended 30 June					
	2020		2019		Increase/(decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	4,012	47.3	5,438	55.3	(1,426)	(26.2)
Sustainability and environmental consultancy	1,314	15.5	2,144	21.8	(830)	(38.7)
Acoustics, noise and vibration control and audio-visual design consultancy	2,289	27.0	1,235	12.6	1,054	85.3
ESG reporting and consultancy	861	10.2	1,009	10.3	(148)	(14.7)
Total	8,476	100.0	9,826	100.0	(1,350)	(13.7)

Financial Review (Continued)

Administrative Expenses

The Group's administrative expenses decreased by approximately 7.6% from approximately HK\$4.1 million for the three months ended 30 June 2019 to approximately HK\$3.8 million for the three months ended 30 June 2020 as a result of the Group's continuous implementation of stringent cost control by streamlining operations, rationalizing overheads and strengthening cost control on professional service fees.

Profit for the Period Attributable to Owners of the Company

The profit of the Group remained stable at approximately HK\$0.3 million for the three months ended 30 June 2020 as compared to the profit of approximately HK\$0.3 million for the corresponding period in 2019, which was mainly attributed to strengthened cost control on subcontractor costs, professional service fees and administrative expenses during the Period, coupled with reversal of ECL for accounts receivable due to increment for receipts of accounts receivable for the three months ended 30 June 2020 as compared with the balance of accounts receivables as at 31 March 2020.

Use of Proceeds from the Listing

As at 30 June 2020, the net proceeds ("Net Proceeds") from the initial public offering of the Company (the use of which has been changed on 8 August 2018, 25 March 2019 and 20 December 2019, as detailed in the 2020 annual report of the Company) have been applied and utilized as follows:

Proposed use of Net Proceeds	Note	Adjusted	Approximate	Actual use of	Unused
		planned use of Net Proceeds	percentage of total remaining unutilised Net Proceeds	Net Proceeds up to 30 June 2020	Net Proceeds up to 30 June 2020
		HK\$'000		HK\$'000	HK\$'000
Expand into the PRC market through acquisition or establishment of subsidiaries	1	7,800	62.4%	-	7,800
Provide funding for the Group's working capital and other general corporate purposes		4,700	37.6%	4,700	-
Total		12,500	100%	4,700	7,800

Financial Review (Continued)

Use of Proceeds from the Listing (Continued)

Note 1: The Group entered into an equity transfer agreement signed on 18 December 2019 in relation to the acquisition of and capital injection (“Acquisition”) in 35% equity interest of a target company (namely Beijing Dashi Derun Energy Technology Co. Ltd. (北京達實德潤能源科技有限公司)) at the total consideration of RMB7,000,000 (equivalent to approximately HK\$7,700,000). The actual use of the remaining Net Proceeds of HK\$7.8 million was slower than planned because the relevant parties were still in the course of preparing and obtaining various completion documents and completion of the Acquisition has not yet taken place as of the date of this report. It is expected the unused Net Proceeds will be utilised following the completion of the Acquisition which is expected to take place within the forthcoming twelve months.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars and does not have significant foreign currency exposure. Nevertheless, the Directors will closely monitor the Group’s foreign currency position and consider natural hedge techniques to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivables management, etc. The Company did not engage in any derivatives agreement and did not commit any financial instruments to hedge its foreign exchange exposure as at 30 June 2020.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the three months ended 30 June 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant Investments and Future Plans for Material Investments and Capital Assets

As at 30 June 2020, the Group did not hold any significant investments in equity interest in any other companies. Save as disclosed in this report, the Group had no definite future plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

The Acquisition

On 18 December 2019, 前海沛然環保顧問深圳有限公司 (Qianhai Allied Environmental Consultants Shenzhen Company Limited), an indirect wholly-owned subsidiary of the Company (“Purchaser”), entered into a capital injection and equity transfer agreement with Mr. Shen Hong Ming (“Vendor”), 深圳達實智能股份有限公司 (Shenzhen Dashi Intellitech Co., Ltd.), Mr. Li Kui and 北京達實德潤能源科技有限公司 (Beijing Dashi Derun Energy Technology Co. Ltd, as the target company) (“Target Company”), pursuant to which the Vendor agreed to sell an aggregate of approximately 31.5789% equity interest in the Target Company and the Purchaser agreed to acquire the same and further subscribe for additional equity interest by contributing capital injection to the Target Company at a total consideration of RMB7,000,000 (equivalent to approximately HK\$7.7 million).

The Target Company is a private company principally engaged in providing green building and environmental consulting services in the PRC. The Directors expected that the said acquisition and capital injection would (i) expand the Group’s business scale and coverage; (ii) enhance the Group’s market influence; and (iii) increase the Group’s market share and competitiveness in the PRC.

Upon completion, the Target Company will be owned as to 35.0% by the Purchaser and the financial results of the Target Company will be included into the consolidated financial statements of the Group as share of results of an associate. As at the date of this report, completion of the Acquisition has not yet taken place.

The above transaction constituted a discloseable transaction of the Company. Further details of the Acquisition are set out in the Company’s announcement dated 18 December 2019.

Disposal of listed securities on 19 May 2020

On 19 May 2020, AEC Group Limited, a wholly-owned subsidiary of the Company, sold an aggregate of 2,280,000 ordinary shares in the share capital of Sanbase Corporation Limited (“Sanbase”, a company listed on GEM of the Stock Exchange, stock code: 8501), representing approximately 1.1% of the entire issued share capital of Sanbase, through a series of transactions on the open market at an aggregate consideration of HK\$1,299,600 (exclusive of transaction costs) at the selling price of HK\$0.57 per share of Sanbase. Immediately after the disposals, the Company continued to hold 576,000 shares of Sanbase, representing approximately 0.3% of the entire issued share capital of Sanbase, for investment purpose. The disposals constituted a discloseable transaction of the Company under the GEM Listing Rules. For details of the disposals, please refer to the announcement of the Company dated 19 May 2020.

Save as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries, associates or joint ventures during the three months ended 30 June 2020.

Placing of shares under general mandate

On 15 April 2020, the Company entered into a placing agreement with Emperio Securities and Assets Management Limited (“Placing Agent”) to place, on a best efforts basis, up to 150,000,000 placing shares at the placing price of HK\$0.049 per placing share. The placing shares were to be allotted and issued pursuant to the general mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 12 August 2019 to allot, issue and deal with up to a maximum of 240,000,000 Shares (“General Mandate”). The said placing agreement lapsed on 30 April 2020 and has ceased to have any effect therefrom, and the placing thereunder did not proceed. For details of the intended placing, please refer to the announcements of the Company dated 15 April 2020 and 29 April 2020.

On 15 May 2020, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 120,000,000 placing shares at the placing price of HK\$0.052 per placing share to not less than six placees who are professional, institutional, or other investors who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, where the placing shares were to be allotted and issued pursuant to the General Mandate.

The Directors were of the view that the placing represented a good opportunity for the Company to broaden its shareholders base and raise additional funds at a reasonable cost. Completion of the placing took place on 5 June 2020 upon which a total of 120,000,000 placing shares have been successfully placed by the Placing Agent to not less than six placees pursuant to the terms and conditions of the placing agreement. Net proceeds in the amount of approximately HK\$5,200,000 would be used for general working capital for the Group including for payroll of employees, rental payment and office expenses in the aggregate amount of approximately HK\$2.5 million per month. As at the date of this report, approximately HK\$2.7 million (unaudited) has been utilized as intended.

For details of the placing, please refer to the announcements of the Company dated 15 May 2020 and 5 June 2020.

Corporate Guarantee and Pledge of Assets

As at 30 June 2020, the Group's bank borrowings were guaranteed or secured by its assets below:

- (i) the corporate guarantees provided by the Company; and
- (ii) the pledge of the Group's bank deposits of approximately HK\$5 million as at 30 June 2020 (31 March 2020: HK\$5 million).

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities (31 March 2020: Nil).

Capital Commitments

During the three months ended 30 June 2020 and the year ended 31 March 2020, the Group has committed to acquire an aggregate of approximately 31.5789% equity interest in the Target Company by acquisition of existing equity interest and subscription for additional equity interest by capital injection to the Target Company at a total consideration of RMB7,000,000.

Financial Risk Management

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

Corporate Governance and Other Information

Share Option Scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) by the resolutions in writing of the Shareholders on 23 September 2016. No options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme during the three months ended 30 June 2020. As at 30 June 2020, there was no outstanding option under the Share Option Scheme.

Share Award Scheme

On 8 February 2017 (the “Adoption Date”), 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.

In April 2018, the Administration Committee has resolved to grant 12,100,000 restricted shares (“the Grant Shares”) to a selected participant. The vesting of the Grant Shares is subject to the selected participant remaining at all times after the grant date and on the vesting date a participant of the Company or any of its subsidiaries. During the three months ended 30 June 2020, no issued Shares had been purchased by BOCI-Prudential Trustee Limited, acting as the trustee, on the Stock Exchange to hold on trust for any participant selected by the Administration Committee pursuant to the terms and conditions of the Share Award Scheme. As at 30 June 2020, 16,220,000 issued Shares were held by the trustee.

The COVID-19 Pandemic’s Impact

The outbreak of respiratory illness caused by the COVID-19 has spread across the PRC and globally and the prevention and control measures to combat the disease continued to be implemented nationwide. So far, the Group has fully resumed work and normal operations. As the COVID-19 continues to cause concern on the public health, there is adverse impact on the Group to certain extent. The Directors will continue to closely monitor the development of the COVID-19 outbreak and assess its impact on the financial position and operational results of the Group. Given the dynamic nature of the outbreak and that the major operations of the Group are in Hong Kong, the Directors estimate the impact on the Group’s operation and financial performance is likely to be immaterial as at the date of this report.

Directors' and Chief Executive's Interests and Short Positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2020, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the required standard of dealings by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Ms. Kwok May Han Grace ("Ms. Kwok") (Note)	Interest of a controlled corporation, Beneficial owner and Interest of spouse	728,631,600 (long position)	55.2%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse and Beneficial owner	728,631,600 (long position)	55.2%

Note: Among these Shares, (i) 721,701,600 Shares are held by Gold Investments Limited ("Gold Investments"), a company incorporated in the BVI and the issued share capital of which is owned as to 70% by Ms. Kwok, an executive Director and the chairman of the Board and 30% by Mr. Wu, an executive Director, the vice chairman of the Board and the husband of Ms. Kwok; (ii) 2,460,000 Shares are held by Ms. Kwok as beneficial owner and (iii) 4,470,000 Shares are held by Mr. Wu as beneficial owner. Accordingly, Ms. Kwok is deemed to be interested in such Shares held by Gold Investments and Mr. Wu under the SFO, and Mr. Wu is deemed to be interested in such Shares held by Ms. Kwok under the SFO.

Directors' and Chief Executive's Interests and Short Positions in shares, underlying shares and debentures of the Company and its associated corporations (Continued)

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

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules.

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

As far as the Directors are aware, as at 30 June 2020, the following persons (other than a Director or chief executive of the Company) or entities had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of Shareholders	Capacity/ Nature of interests	Number of Shares held	Approximate percentage of shareholding
Gold Investments (Note 1)	Beneficial owner	721,701,600 (long position)	54.67%
Dr. Wong Wing Ho James	Beneficial owner	109,161,600 (long position)	8.27%
City Beat Limited ("City Beat") (Note 2)	Beneficial owner	85,552,400 (long position)	6.48%

Notes:

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

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons (other than a Director or the chief executive of the Company) who or entities which had interests or short positions in the Shares or underlying Shares, which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed “Share Option Scheme”, “Share Award Scheme” and “Directors’ and Chief Executive’s Interests and Short Positions in shares, underlying shares and debentures of the Company and its associated corporations” in this report, at no time during the three months ended 30 June 2020 and up to the date of this report was the Company, its holding company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

Non-Competition Undertaking by Controlling Shareholders

Each of the controlling shareholders (as defined under the GEM Listing Rules) of the Company, i.e. Gold Investments Limited, Ms. Kwok May Han Grace and Mr. Wu Dennis Pak Kit (the “Controlling Shareholders”) entered into a deed of non-competition dated 23 September 2016 in favour of the Company, details of which were set out in the prospectus of the Company dated 30 September 2016 and the main effect is that at any time the Controlling Shareholders are interested, directly or indirectly, in 30% or more of the Shares, they will not, and will procure their respective close associates (other than members of the Group) not to (1) directly or indirectly, either on their own account, in conjunction with, on behalf of or through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest, provide any support to, financial or otherwise, or otherwise be interested, involved or engaged in or concerned with any business that directly or indirectly competes with the Restricted Business (as defined below), or acquire or hold shares or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any companies or business that compete directly or indirectly with the Restricted Business (as defined below); and (2) engage, invest, participate or be interested (economically or otherwise) in any business involving the provisions of consultancy services in respect of (i) green building certification consultancy; (ii) sustainability consultancy and environmental consultancy; (iii) acoustics, noise and vibration control and audio-visual design consultancy; and (iv) ESG reporting and consultancy (the “Restricted Business”), 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 the Group.

During the three months ended 30 June 2020, none of the Controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competed or might compete with the business of the Group and any other conflict of interest with the Group.

Directors' Interest in Competing Business

Save and except for the interests of the Directors in the Company and its subsidiaries, during the three months ended 30 June 2020, none of the Directors had any interest in a business which competed or was likely to compete, directly or indirectly, with the Group's business.

Corporate Governance Code

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

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

Save as disclosed above, during the three months ended 30 June 2020, the Company has complied with all the code provisions of the CG Code.

Compliance with Code of Conduct for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Securities Code") on terms no less exacting than the Required Standard of Dealings. Following the specific enquiries made by the Company on the Directors, all Directors confirmed that they had complied with the Required Standard of Dealings and the Securities Code during the three months ended 30 June 2020.

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

None of the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2020 and thereafter up to the date of this report.

English Version Prevails

This report is written in both English and Chinese. If there is any inconsistency between the English version and the Chinese version of this report, the English version will prevail.

Re-designation of a Director

Mr. Wu Dennis Pak Kit has been appointed as the Vice Chairman of the Board and re-designated as an executive Director since 1 July 2020. He was appointed as our non-executive Director on 16 November 2015 and has been providing advice on strategic development of the Group, and his additional new roles will help to create a greater synergy between the Group's existing business segments, including Green Finance, ESG advisory as well as Smart & Green Internet of Things ("IoT"), so as to further expand our Group's customer base and extend our customers' geographical coverage to the Asia-Pacific region.

Audit Committee

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

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

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

Hong Kong, 10 August 2020

As at the date of this report, the executive Directors are Ms. Kwok May Han Grace (Chairman) and Mr. Wu Dennis Pak Kit (Vice Chairman); and the INEDs are Professor Lam Kin Che, Ms. Wong Yee Lin Elaine, Mr. Li Wing Sum Steven and Mr. Szeto Chi Hang Clive.