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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)

2019 FIRST QUARTERLY RESULTS ANNOUNCEMENT

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Allied Sustainability and Environmental Consultants Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) announces the unaudited first quarterly results of the Group for the three months ended 30 June 2019. This announcement, containing the full text of the 2019 First Quarterly Report of the Company (the “**2019 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM**” and the “**GEM Listing Rules**”, respectively) in relation to the information to be disclosed in the preliminary announcement of first quarterly results. Printed version of the 2019 First Quarterly Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 13 August 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.asecg.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2019 amounted to approximately HK\$9.8 million while gross profit of the Group for the same period amounted to approximately HK\$4.4 million.

The net profit after tax of the Group for the three months ended 30 June 2019 amounted to approximately HK\$0.3 million, as compared with the net loss after tax of approximately HK\$2.2 million for the three months ended 30 June 2018, mainly attributed to (i) the increase in the total revenue of the Group by approximately HK\$2.4 million from approximately HK\$7.4 million for the three months ended 30 June 2018 to approximately HK\$9.8 million for the three months ended 30 June 2019; which was mainly driven by increment of new contracts awarded and substantial progress of the contracted service works of our on-going projects attained during the three months ended 30 June 2019; (ii) reduced amount of administrative expenses as a result of strengthened cost control on professional service fee.

The board of Directors (the “Board”) has resolved not to declare the payment of any interim dividend for the three months ended 30 June 2019 (three months ended 30 June 2018: Nil).

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

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

For the three months ended 30 June 2019

	Notes	Unaudited Three months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Revenue	5	9,826	7,390
Cost of services provided		(5,442)	(4,652)
Gross profit		4,384	2,738
Other income and gains		77	1
Administrative expenses		(4,066)	(4,567)
Finance costs	6	(35)	(42)
Unrealised loss of financial assets		-	(759)
Profit/(Loss) before income tax	7	360	(2,629)
Income tax (expense)/credit	8	(56)	419
Profit/(Loss) for the period wholly attributable to owners of the Company		304	(2,210)
Other comprehensive 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 loss		(839)	-
Total comprehensive loss for the period wholly attributable to owners of the Company		(535)	(2,210)
Basic earnings/(loss) per share (HK cents)	9	0.03	(0.19)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2019

	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/ losses (accumulated) HK\$'000	
At 1 April 2018	12,000	61,102	–	(4,099)	–	8,469	77,472
Loss and total comprehensive loss for the period	–	–	–	–	–	(2,210)	(2,210)
At 30 June 2018	12,000	61,102	–	(4,099)	–	6,259	75,262
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

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2019

1. Corporate Information and Basis of Preparation

(a) General information

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

The Company is an investment holding company. 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 People's Republic of China (the "PRC").

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

(b) Basis of Preparation

The condensed consolidated financial statements of the Group for the three months ended 30 June 2019 (the "Financial Information") comprise the financial information of the Company and its subsidiaries and should be read in conjunction with the annual financial statements for the year ended 31 March 2019. 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 2019, the accounting policies and methods of computation applied in preparing the Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2019 as described in those annual financial statements.

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

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

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

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

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

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2019

2. Accounting Policies

Except for the changes in accounting policies stated in note 3, the accounting policies and methods of computation used in the Financial Information are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2019 included in the annual report 2019.

3. Changes in Accounting Policies

Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 16, Leases

The Group has been impacted by HKFRS 16 in relation to leases. Details of the changes in accounting policies are discussed as below for HKFRS 16.

The Group entered 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, at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the 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 primarily affect the Group's accounting as a lessee of leases for office premises and director's quarter which are currently classified as operating leases. The application of the new accounting model would lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease. At 1 April 2019, the Group's future minimum lease payments under non-cancellable operating leases need to be recognised as lease liabilities, with corresponding right-of-use assets, under HKFRS 16 adopted.

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2019

3. Changes in Accounting Policies (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

As a practical expedient, the Group 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.

4. Significant Accounting Estimates

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

Estimation uncertainty

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

Revenue

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 contract 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 Condensed Consolidated Financial Information

For the three months ended 30 June 2019

4. Significant Accounting Estimates (Continued)

Estimation uncertainty (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 contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Actual outcome in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years.

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

Estimated recoverability of accounts receivable

The Group 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 2019.

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 2019, no impairment loss on property, plant and equipment and intangible assets were recognised by the Group (2018: Nil).

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2019

4. 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.

5. Revenue

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

- (a) Green building certification consultancy segment involves consultancy on the application of green building certification for new buildings, existing buildings and interiors of buildings;
- (b) Sustainability and environmental consultancy segment involves consultancy on sustainability and environmental impact assessment for compliance with statutory requirements in relation to environmental impact and pollution control;
- (c) Acoustics, noise and vibration control and audio-visual design consultancy segment involves designs for architectural acoustic, mechanical vibration, noise control and audiovisual systems; and
- (d) ESG reporting and consultancy segment involves conducting assessment of the ESG system of clients, preparing report in compliance with the Stock Exchange's requirements pursuant to the ESG reporting guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange and Appendix 20 to the GEM Listing Rules, assisting clients in establishing comprehensive solutions to enhance ESG system and providing training and seminars to clients.

	Unaudited	
	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
An analysis of the Group's revenue during the period is as follows:		
Revenue from provision of		
Green building certification consultancy	5,438	2,519
Sustainability and environmental consultancy	2,144	2,940
Acoustics, noise and vibration control and audio-visual design consultancy	1,235	1,177
ESG reporting and consultancy	1,009	754
	9,826	7,390

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2019

6. Finance Costs

	Unaudited Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest on a bank loan and bank overdrafts	35	42

7. Profit/(Loss) Before Income Tax

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

	Unaudited Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Depreciation	116	116
Employee benefit expense: (including Directors' emoluments)		
– Salaries, allowances and benefits in kind	4,917	4,578
– Retirement benefit scheme contributions (defined contribution scheme)	180	180
Minimum lease payments under operating leases for land and buildings	1,004	984

8. Income Tax Expense/(Credit)

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

	Unaudited Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong		
Credit for the period	–	(423)
Deferred tax	56	4
Income tax expense/(credit) for the period	56	(419)

Notes to the Condensed Consolidated Financial Information

For the three months ended 30 June 2019

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

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

	Unaudited Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	304	(2,210)

	Unaudited Three months ended 30 June	
	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares:		
Issued ordinary shares	1,179,400,000	1,184,000,000
Effect of shares purchased in the open market under share award scheme	(2,874,388)	–
Weighted average number of ordinary shares for the purpose of the basic earnings/(loss) per share	1,176,525,612	1,184,000,000

The calculation of the diluted earnings/(loss) per share attributable to owners of the Company is based on profit/(loss) 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.

As at 30 June 2019, the Company has outstanding share award. The computation of diluted loss per share does not assume the exercise of the share awarded because the assumed grant of shares in relation to the share award scheme has anti-dilutive effect to the basic earnings/(loss) per share.

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

10. Dividends

The Board has resolved not to declare the payment of any interim dividend in respect of the three months ended 30 June 2019 (three months ended 30 June 2018: 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 BEAM Plus Gold. The Hong Kong Housing Authority also requires public housing development to obtain BEAM Plus Gold award or above to distinct green housing design. According to the Residential Properties (First-hand Sales) Ordinance (《一手住宅物業銷售條例》) (Chapter 621 of the Laws of Hong Kong), a BEAM Plus certification is required in order to obtain the concession on gross floor area for certain green and amenity features in development projects.

Business Review

The Company's subsidiaries are specialised in 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 contributed approximately 55.3%, 21.8%, 12.6% and 10.3% to the Group's overall revenue for the three months ended 30 June 2019, respectively. The Group derives the majority of its revenue from green building certification consultancy, and sustainability and environmental consultancy.

Green Building Certification Consultancy

This segment mainly provides environmental design and one-stop certification application services for developers and owners to enhance environmental performance and sustainability of their buildings. The Group provides professional consultancy services for its customers to meet global green building standards, including but not limited to Building Environmental Assessment Method (BEAM/BEAM Plus), Leadership in Energy and Environmental Design (LEED) and China Green Building Design Label (China GBL). As at 30 June 2019, the Group had 184 (as at 30 June 2018: 142) 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 2019, the Group had 108 (as at 30 June 2018: 60) 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 2019, the Group had 56 (as at 30 June 2018: 51) projects on acoustics, noise and vibration control and audio-visual design consultancy on hand which were mainly from property developers, architects and designers.

ESG Reporting and Consultancy

This segment provides consultancy services on ESG Reporting for companies listed on the Stock Exchange, which is required by the Stock Exchange to encourage listed companies 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 2019, the Group had 31 (as at 30 June 2018: 31) projects on ESG reporting and consultancy on hand across various industries.

Prospects

To enhance its competitive position in the market, the Group is endeavouring to expand its customer base and enhancing its productivity through implementing an Enterprise Resource Planning system. Meanwhile, the Group is seizing every opportunity to develop and offer new solutions and products with an aim to create synergy through blending and enriching its existing consultancy services. The Group believes that it is on track to achieve sustainable long-term performance.

Since the incorporation of a wholly-owned subsidiary, 前海沛然環保顧問深圳有限公司 (Qianhai Allied Environmental Consultants Shenzhen Company Limited*), at Qianhai, Shenzhen in the PRC, the Group has been exploring business opportunities through tendering and submitting bids for new projects. In addition, the Group is actively exploring development and acquisition opportunity in other first-tier cities in the PRC such as Beijing and Shanghai in the areas of environmental solutions, indoor air quality solutions and products, building management systems, green building solutions and products, etc..

Furthermore, the Group will strive 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 in areas including employment in this evolving and expanding technological and production field; and (iii) identify, endorse and promote existing and emerging green and innovative technologies and related products to all sectors including the general public. Further, the Group is planning to develop its business in green building services and solutions and green products by using its internal financial resources.

* For identification only

Management Discussion and Analysis

In the coming year, the Group intends to provide clients with innovative services regarding smart energy management, fault detection, and diagnosis on building equipment and systems on a cloud-based platform. It will be included in the energy service packages and the target clients include large-scale commercial premises, office blocks, industrial plants, hotels and hospitals in Hong Kong and the PRC. In addition, the Group intends to provide “offline to online” ESG solution services, including but not limited to design and production of online ESG learning materials, and provision of online solution support to Hong Kong and PRC clients. The Group is positive about the potential market of the online ESG solution.

According to the latest consultation paper on “Review of the ESG Reporting Guide and related Listing Rules” published by the Stock Exchange, a number of key proposals have been put forward to support and improve listed companies’ governance and disclosure of ESG activities and metrics. 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.

Following the successful offering of inaugural green bond with an issuance size of US\$1 billion announced by the Hong Kong Government in May 2019, the Group sees potential opportunities in the green building certification business. We are optimistic that there will be more investment in green building projects and higher demand for green finance consultancy service in the long run. As a result, the Group will capture more opportunities to participate in these projects as a green building consultant and to engage with the financial sector through providing consultancy services.

The Group may cooperate and collaborate with ECI Technology Holdings Limited (stock code: 8013) (“ECI”) to provide solutions and products in relation to smart building and green buildings globally. Besides, ECI and the Company may jointly establish a company to provide smart building consultancy services. ECI is a company incorporated in the Cayman Islands and listed on GEM which is engaged in the provision of extralow voltage (ELV) solutions. Through ongoing business diversification, the Group may establish a wider presence in the environmental industry with an aim to become a one-stop comprehensive environmental solution provider.

Financial Review

Revenue

The total revenue of the Group increased from approximately HK\$7.4 million for the three months ended 30 June 2018 to approximately HK\$9.8 million for the three months ended 30 June 2019, representing an increase of 32.4%. As at 30 June 2019, the Group had 379 projects on hand, the aggregate contract sum of which amounted to HK\$142 million approximately.

Management Discussion and Analysis

The revenue of green building certification consultancy significantly increased by 115.9% from approximately HK\$2.5 million for the three months ended 30 June 2018 to approximately HK\$5.4 million for the three months ended 30 June 2019, which was resulted from (i) increment of new contracts awarded and (ii) the substantial progress of the contracted service work of our on-going projects attained in this segment.

The revenue of sustainability and environmental consultancy decreased by 27.1% from approximately HK\$2.9 million for the three months ended 30 June 2018 to approximately HK\$2.1 million for the three months ended 30 June 2019 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 4.9% from approximately HK\$1.2 million for the three months ended 30 June 2018 to approximately HK\$1.3 million for the three months ended 30 June 2019 which was mainly due to the increase in the number of on-going projects undertaken with the increase in the average amount of revenue recognised during the period.

The revenue of ESG reporting and consultancy significantly increased by 33.8% from approximately HK\$0.8 million for the three months ended 30 June 2018 to approximately HK\$1.0 million for the three months ended 30 June 2019, which was due to the substantial progress achieved in the projects in this segment.

The table below sets forth the breakdowns of the turnover by segments for the three months ended 30 June 2018 and 2019 respectively:

	Three months ended 30 June					
	2019		2018		Increase/(decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Green building certification consultancy	5,438	55.3	2,519	34.1	2,919	115.9
Sustainability and environmental consultancy	2,144	21.8	2,940	39.8	(796)	(27.1)
Acoustics, noise and vibration control and audio-visual design consultancy	1,235	12.6	1,177	15.9	58	4.9
ESG reporting and consultancy	1,009	10.3	754	10.2	255	33.8
Total	9,826	100.0	7,390	100.0	2,436	33.0

Administrative Expenses

The Group's administrative expenses decreased by approximately 11.0% from approximately HK\$4.6 million for the three months ended 30 June 2018 to approximately HK\$4.1 million for the three months ended 30 June 2019 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 fee.

Profit for the period wholly Attributable to Owners of the Company

The profit of the Group was approximately HK\$0.3 million for the three months ended 30 June 2019 as compared to the loss of approximately HK\$2.2 million for the corresponding period in 2018, mainly attributed to (i) the increase in the total revenue of the Group by approximately HK\$2.4 million from approximately HK\$7.4 million for the three months ended 30 June 2018 to approximately HK\$9.8 million for the three months ended 30 June 2019 which was mainly driven by increment of new contracts awarded and substantial progress of the contracted service works of our on-going projects attained during the three months ended 30 June 2019, couple with strengthened cost control on professional service fee and administrative expense during the period.

Use of Proceeds from the Listing

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

Management Discussion and Analysis

Use of Proceeds from the Listing

On the Listing Date, the issued Shares were listed on GEM. On 9 August 2018, the Company has resolved to change the use of net proceeds of the initial public offering (the "First Change in UOP"). Details of the revised allocation of the first change in UOP are set out as follows:

Proposed use of Net Proceeds	Original allocation of the Net Proceeds	Approximate percentage of total Net Proceeds	Actual use of Net Proceeds up to 31 July 2018	Unused Net Proceeds up to 31 July 2018 (before the Change)	Revised use of Net Proceeds	Revised allocation of unused Net Proceeds (after the Change)	Reasons for the revised use and allocation of Net Proceeds
Expand into the PRC market through acquisition or establishment of subsidiaries	13,358	40%	45	13,313	No Change	13,313	
Expand through strategic mergers and acquisitions in Hong Kong	6,679	20%	-	6,679	Acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business	5,800	The revised use of proceeds is to better reflect the Company's current direction of expansion. The allocation of proceeds was adjusted downward because under the recent preliminary term-sheet discussion in relation to an acquisition of a target company, the cash consideration was not expected to exceed HK\$5.8 million.

Management Discussion and Analysis

Proposed use of Net Proceeds	Original allocation of the Net Proceeds	Approximate percentage of total Net Proceeds	Actual use of Net Proceeds up to 31 July 2018	Unused Net Proceeds up to 31 July 2018 (before the Change)	Revised use of Net Proceeds	Revised allocation of unused Net Proceeds (after the Change)	Reasons for the revised use and allocation of Net Proceeds
Further expand and develop the Group's services to ESG	6,679	20%	3,708	2,971	Strengthen ESG and environmental project team to expand and develop both ESG consultancy and environmental consultancy business	3,634	The revised use and allocation of proceeds is to combine the resources of both ESG consultancy and environmental consultancy business in order to expand the business in an effective and efficient manner.
Further strengthen and expand the Group's in-house team of professional staff	5,010	15%	4,347	663			
Provide funding for the Group's working capital and other general corporate purposes	1,670	5%	1,670	–	Transferred from the original purpose of strategic mergers and acquisitions in Hong Kong	879	The extra amount of HK\$879,000 (available from the reduced amount of HK\$5.8 million used in mergers and acquisitions in Hong Kong) was applied towards the Group's working capital and general corporate purposes since the Company anticipated that it is unlikely to identify another suitable acquisition target in the near future.
Total	33,396	100%	9,770	23,626		23,626	

Management Discussion and Analysis

On 25 March 2019, the Company has resolved to have a second change the use of net proceeds. (the “Second Change in UOP”). Details of the second change in UOP are set out as follows:

Proposed use of Net Proceeds as disclosed in the Prospectus	Use of Proceeds (as revised by the First Change in UOP)	Unused Net Proceeds up to 28 February 2019 (before Second Change in UOP)	Revised allocation of unused Net Proceeds (the Second Change in UOP)	Revised allocation of unused Net Proceeds after Second Change in UOP	Reasons for the revised use and allocation of Net Proceeds (the Second Change in UOP)
	HK\$'000	HK\$'000		HK\$'000	
Expand into the PRC market through acquisition or establishment of subsidiaries	13,313	13,268	Acquisition and development of subsidiaries in the PRC for Green building certification and Environmental Consultancy services which the target company has operations in both Northern and Southern China.	12,500	The revised use of proceeds is to better reflect the Company's current direction of expansion. The allocation of proceeds is adjusted downward because under the recent preliminary term sheet signed in relation to an acquisition of a target company, the funding needs are not expected to exceed HK\$12.5 million.

Management Discussion and Analysis

Proposed use of Net Proceeds as disclosed in the Prospectus	Use of Proceeds (as revised by the First Change in UOP)	Unused Net Proceeds up to 28 February 2019 (before Second Change in UOP)	Revised allocation of unused Net Proceeds (the Second Change in UOP)	Revised allocation of unused Net Proceeds after Second Change in UOP	Reasons for the revised use and allocation of Net Proceeds (the Second Change in UOP)
	HK\$'000	HK\$'000		HK\$'000	
Acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business	5,800	5,800	Acquisition and development of subsidiaries or associate companies in Hong Kong for ESG Consultancy services business.	3,000	The Company cannot locate a suitable acquisition target for acoustics and lighting business. Alternatively, the Company has setup its own subsidiary for development of lighting business. Due to outstanding growth of environmental, social and governance ("ESG") consultancy services business in the last 2 years, the Company would like to further expand the ESG business and has entered into a memorandum in relation to the subscription of shares in a target company which provides ESG and sustainability consultancy services in Asia and HK\$3.0 million of the subscription is expected to be funded by the Net Proceeds.

Management Discussion and Analysis

Proposed use of Net Proceeds as disclosed in the Prospectus	Use of Proceeds (as revised by the First Change in UOP)	Unused Net Proceeds up to 28 February 2019 (before Second Change in UOP)	Revised allocation of unused Net Proceeds (the Second Change in UOP)	Revised allocation of unused Net Proceeds after Second Change in UOP	Reasons for the revised use and allocation of Net Proceeds (the Second Change in UOP)
	HK\$'000	HK\$'000		HK\$'000	
Further expand and develop the Group's services to ESG and further strengthen and expand the Group's in-house team of professional staff	3,634	476	Transferred from the original purpose of acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business	2,176	The extra amount of HK\$1.7 million (available from the reduced amount of HK\$3.0 million used in acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business) is applied towards the Group's further expansion of ESG Consultancy service since the Company anticipates that it is unlikely to identify another suitable acquisition target in the near future.

Management Discussion and Analysis

Proposed use of Net Proceeds as disclosed in the Prospectus	Use of Proceeds (as revised by the First Change in UOP) HK\$'000	Unused Net Proceeds up to 28 February 2019 (before Second Change in UOP) HK\$'000	Revised allocation of unused Net Proceeds (the Second Change in UOP)	Revised allocation of unused Net Proceeds after Second Change in UOP HK\$'000	Reasons for the revised use and allocation of Net Proceeds (the Second Change in UOP)
Provide funding for the Group's working capital and other general corporate purposes	879	–	Transferred from the original purpose of acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business and expand into the PRC market through acquisition or establishment of subsidiaries	1,868	This extra amount of approximately HK\$1.0 million is available from the reduced amount of HK\$3.0 million used in acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business and the reduced amount of HK\$12.5 million for proposed use of expanding into the PRC market through acquisition or establishment of subsidiaries since the Company anticipates that it is unlikely to identify another suitable acquisition target in the near future.
Total	23,626	19,544		19,544	

Management Discussion and Analysis

As at 30 June 2019, the net listing proceeds have been applied and utilized as follows:

Proposed use of Net Proceeds after the Second Change in UOP	Adjusted planned use of net proceeds HK\$'000	Approximate percentage of total net proceeds	Actual use of net proceeds up to 30 June 2019 HK\$'000	Unused net proceeds up to 30 June 2019 HK\$'000
Expand into the PRC market through acquisition or establishment of subsidiaries	12,500	64.0%	–	12,500
Acquisition and development of subsidiaries in Hong Kong for acoustics and lighting business	3,000	15.3%	3,000	–
Further expand and develop the Group's services to ESG and further strengthen and expand the Group's in-house team of professional staff	2,176	11.1%	1,686	490
Provide funding for the Group's working capital and other general corporate purposes	1,868	9.6%	358	1,510
Total	19,544	100%	5,044	14,500

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars and does not have significant foreign currency exposure. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivables management, etc. The Company did not engage in any derivatives agreement and did not commit any financial instruments to hedge its foreign exchange exposure as at 30 June 2019.

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 2019. 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.

Important Event After the Reporting Period

The Group is now exploring the possibility of acquiring certain equity interest in a PRC company, which is principally engaged in the provision of quality green building certification consulting services. It is expected that the acquisition will, if proceeded, (i) expand the Group's business scale and coverage; (ii) enhance the Group's market status; and (iii) increase the Group's market share and competitiveness in the PRC, which can provide a platform for the Company to develop its sustainability and environmental consultancy services in the PRC. As at the date of this report, no definite agreement in respect of the acquisition has been entered into and the deal is still subject to further negotiation.

Significant Investments and Future Plans for Material Investments and Capital Assets

As at 30 June 2019, the Group did not hold any significant investments in equity interest in any other companies. Save as disclosed in this report and in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Group had no definite future plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the three months ended 30 June 2019.

Corporate Guarantee and Pledge of Assets

As at 30 June 2019, the Group's bank borrowings were guaranteed or secured by its assets below:

- (i) corporate guarantees provided by the Company; and
- (ii) the pledge of the Group's bank deposits of approximately HK\$5 million as at 30 June 2019 (31 March 2019: HK\$5 million).

Contingent Liabilities and Capital Commitments

The Group had no significant contingent liabilities and capital commitments as at 30 June 2019.

As at 30 June 2019, the Group had capital commitments in relation to the purchase of intangible assets of approximately HK\$66,000.

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 conditionally adopted a share option scheme (the “Share Option Scheme”) by the resolutions in writing of the shareholders of the Company (the “Shareholders”) on 23 September 2016. The Share Option Scheme became effective on the listing date. As no option had been granted since the Listing Date, there were no outstanding options as at 30 June 2019, and no options had lapsed or had been granted, exercised or cancelled under the Share Option Scheme during the three months ended 30 June 2019.

Share Award Scheme

On 8 February 2017, the Board approved a share award scheme (the “Share Award Scheme”) to complement the Group’s human resources policy for enhancing staff welfare benefits to ensure that talents can be retained and their productivity and potentials can be elevated. As at 31 March 2019, BOCI-Prudential Trustee Limited (“BOCI”), acting as the trustee, had purchased an aggregate of 22,100,000 issued Shares on the Stock Exchange to hold on trust for any participant selected by the administration committee. In April 2018, Administration Committee has resolved to grant 12,100,000 shares (“the Grant Shares”) to Selected Participant. The vesting of the Grant Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any of its subsidiary.

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

As at 30 June 2019, 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

Corporate Governance and Other Information

“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	725,631,600 (long position)	60.47%
Mr. Wu Dennis Pak Kit ("Mr. Wu") (Note)	Interest of spouse and Beneficial owner	725,631,600 (long position)	60.47%

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.

Corporate Governance and Other Information

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 2019, 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 2019, the following person (other than a Director or chief executive of the Company) or entities had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Notes:

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

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than a Director or the chief executive of the Company) who or entities which had interests or short positions in the Shares or underlying Shares, which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

At no time during the three months ended 30 June 2019 and up to the date of this report was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

Non-Competition Undertaking by Controlling Shareholders

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

Corporate Governance and Other Information

During the three months ended 30 June 2019, 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 2019, none of the Directors had any interest in a business, apart from the business of the Group, which competed or was likely to compete, directly or indirectly, with its business.

Corporate Governance Code

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

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

Save as disclosed above, during the three months ended 30 June 2019, 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 2019.

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

The Company did not redeem any of the Company's listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities during the three months ended 30 June 2019 and thereafter up to the date of this report.

Change of Directors

Mr. Szeto Chi Hang Clive was appointed as an independent non-executive Director with effect from 4 June 2019.

Audit Committee

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

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

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

Hong Kong, 13 August 2019

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