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亞洲聯合基建控股有限公司

ASIA ALLIED INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)
(Stock Code: 00711.HK)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL HIGHLIGHTS	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Total revenue	3,847,368	4,537,181
Profit attributable to shareholders of the Company	71,291	44,213
Basic earnings per share	HK4.42 cents	HK3.00 cents
Dividend per share	HK1.23 cents	—
	30 September 2017	31 March 2017
Equity per share*	HK\$1.37	HK\$1.37

* *Equity per share refers to equity attributable to shareholders of the Company divided by the total number of issued ordinary share capital as at 30 September 2017 and 31 March 2017 respectively.*

INTERIM RESULTS

The Board of Directors (the “Board” or the “Directors”) of Asia Allied Infrastructure Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017, together with the relevant comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	3	3,847,368	4,537,181
Cost of sales		<u>(3,551,105)</u>	<u>(4,296,147)</u>
Gross profit		296,263	241,034
Other income and gains, net		75,300	51,723
Selling expenses		(3,100)	(2,223)
Administrative expenses		(192,952)	(186,020)
Other expenses, net		(3,496)	(25,916)
Finance costs	4	(28,469)	(26,468)
Share of profits and losses of associates		<u>1,811</u>	<u>19,941</u>
PROFIT BEFORE TAX	5	145,357	72,071
Income tax	6	<u>(60,050)</u>	<u>(27,855)</u>
PROFIT FOR THE PERIOD		85,307	44,216
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences:			
Translation of foreign operations		27,561	(22,766)
Reclassification adjustments for gains included in profit or loss upon deregistration of a subsidiary		–	(1,265)
Share of movements in exchange fluctuation reserves of associates		<u>150</u>	<u>(204)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL		<u>27,711</u>	<u>(24,235)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>113,018</u>	<u>19,981</u>

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		
ATTRIBUTABLE TO:		
Shareholders of the Company	71,291	44,213
Non-controlling interests	<u>14,016</u>	<u>3</u>
	<u>85,307</u>	<u>44,216</u>
TOTAL COMPREHENSIVE INCOME FOR		
THE PERIOD ATTRIBUTABLE TO:		
Shareholders of the Company	99,002	19,978
Non-controlling interests	<u>14,016</u>	<u>3</u>
	<u>113,018</u>	<u>19,981</u>
EARNINGS PER SHARE ATTRIBUTABLE TO		
SHAREHOLDERS OF THE COMPANY		
Basic	<u>HK4.42 cents</u>	<u>HK3.00 cents</u>
Diluted	<u>HK4.41 cents</u>	<u>HK2.91 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2017

	<i>Notes</i>	30 September 2017 (Unaudited) <i>HK\$'000</i>	31 March 2017 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		265,822	267,813
Investment properties		907,293	866,120
Goodwill		44,686	44,686
Investment in a joint venture		313,993	313,993
Investments in associates		62,141	75,963
Deferred tax assets		2,839	5,693
Total non-current assets		1,596,774	1,574,268
CURRENT ASSETS			
Land held for property development		531,714	523,714
Properties under development		507,684	398,437
Properties held for sale		5,600	6,707
Amounts due from contract customers		2,253,892	1,888,491
Trade receivables	9	1,578,467	1,516,727
Prepayments, deposits and other receivables		611,223	599,725
Derivative component of convertible bonds		5,664	–
Income tax recoverables		8,110	10,011
Equity investments at fair value through profit or loss		91	105
Restricted cash and pledged deposits		150,855	51,419
Cash and cash equivalents		1,213,783	1,713,371
		6,867,083	6,708,707
Non-current assets and assets of a disposal group classified as held for sale		–	180,189
Total current assets		6,867,083	6,888,896
CURRENT LIABILITIES			
Amounts due to contract customers		763,675	734,827
Trade payables	10	1,792,822	1,589,114
Other payables and accruals		444,943	482,411
Bank and other borrowings		2,339,306	2,938,779
Liability component of convertible bonds		262,931	217,778
Derivative components of convertible bonds		–	38,260
Hire purchase contract and finance lease payables		11,868	13,666
Income tax payables		81,370	53,700
		5,696,915	6,068,535
Liabilities directly associated with the assets of a disposal group classified as held for sale		–	748
Total current liabilities		5,696,915	6,069,283
NET CURRENT ASSETS		1,170,168	819,613
TOTAL ASSETS LESS CURRENT LIABILITIES		2,766,942	2,393,881

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Other payables	79,822	65,701
Bank and other borrowings	324,510	5,749
Guaranteed bonds	39,000	39,000
Hire purchase contract and finance lease payables	10,864	16,845
Deferred tax liabilities	19,505	21,326
	<hr/>	<hr/>
Total non-current liabilities	473,701	148,621
	<hr/>	<hr/>
Net assets	2,293,241	2,245,260
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	164,229	161,929
Reserves	2,090,218	2,058,553
	<hr/>	<hr/>
Non-controlling interests	2,254,447 38,794	2,220,482 24,778
	<hr/>	<hr/>
Total equity	2,293,241	2,245,260
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017 (Unaudited)

1 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

2 SIGNIFICANT ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information has been prepared on the historical cost basis, except for (i) investment properties, equity investments at fair value through profit or loss and the derivative components of convertible bonds which have been measured at fair value; and (ii) non-current assets and assets of a disposal group classified as held for sale which are stated at the lower of their carrying amounts and fair values less costs to sell.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s condensed consolidated interim financial information:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements</i> <i>2014-2016 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on the condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the condensed consolidated interim financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

The chief operating decision maker of the Group has been identified as the executive directors of the Company and certain senior management (collectively referred to as the "CODM"). For the purpose of performance assessment and resource allocation by the CODM, the Group's business activities are categorised under the following three reportable operating segments:

- Construction work – provision of services in areas of civil engineering, electrical and mechanical engineering, foundation and building construction
- Property development and investment – development, sale and leasing of properties
- Professional services – provision of security and facility management solutions

Segment revenue and results

Segment results represent the gross profit generated from each segment, net of selling expenses and administrative expenses directly attributable to each segment without allocation of corporate expenses, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by reportable operating segment:

For the six months ended 30 September 2017

	Construction work (Unaudited) HK\$'000	Property development and investment (Unaudited) HK\$'000	Professional services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	<u>3,576,210</u>	<u>2,218</u>	<u>268,940</u>	<u>3,847,368</u>
Segment results	<u>176,763</u>	<u>1,920</u>	<u>15,147</u>	193,830
Interest income				5,813
Corporate and other unallocated expenses				(25,817)
Finance costs				<u>(28,469)</u>
Profit before tax				145,357
Income tax				<u>(60,050)</u>
Profit for the period				<u>85,307</u>
Other segment information:				
Share of profits and losses of associates	–	1,811	–	1,811
Depreciation	(20,303)	(237)	(918)	(21,458)
Fair value gain of investment properties, net	–	17,060	–	17,060
Gains/(losses) on disposal of items of property, plant and equipment, net	289	–	(165)	124
Write-off of items of property, plant and equipment	<u>–</u>	<u>(95)</u>	<u>–</u>	<u>(95)</u>

For the six months ended 30 September 2016

	Construction work (Unaudited) <i>HK\$'000</i>	Property development and investment (Unaudited) <i>HK\$'000</i>	Professional services (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	4,288,431	10,900	237,850	4,537,181
Segment results				
	86,244	17,975	4,610	108,829
Interest income				11,488
Corporate and other unallocated expenses				(21,778)
Finance costs				(26,468)
Profit before tax				72,071
Income tax				(27,855)
Profit for the period				44,216
Other segment information:				
Share of profits and losses of associates	–	19,941	–	19,941
Depreciation	(23,674)	(22)	(546)	(24,242)
Fair value loss of investment properties, net	–	(18,000)	–	(18,000)
Gains on disposal of items of property, plant and equipment, net	2,690	55	–	2,745

Segment assets and liabilities

Segment assets and liabilities information is not disclosed as they are not regularly reviewed by the CODM.

Information about major customers

A summary of revenue earned from one external customer (six months ended 30 September 2016: two external customers) which individually contributed more than 10% of the Group's revenue for each of the periods ended 30 September 2017 and 2016 is set out below:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Customer A:		
Contribution to construction work segment	2,452,571	2,240,257
Contribution to professional services segment	1,339	1,283
	<u>2,453,910</u>	<u>2,241,540</u>
Customer B:		
Contribution to construction work segment	N/A	482,004
Contribution to professional services segment	N/A	141,727
	<u>N/A</u>	<u>623,731</u>

“N/A” denotes that such figures represent less than 10% of the Group’s total revenue from continuing operations.

4 FINANCE COSTS

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interests on:		
Bank and other borrowings	38,099	31,948
Guaranteed bonds	1,247	–
Hire purchase contract and finance lease payables	347	722
	<u>39,693</u>	<u>32,670</u>
Imputed interest on:		
Convertible bonds	23,171	4,267
Interest-free loans from a non-controlling equity holder of a subsidiary	1,478	807
	<u>24,649</u>	<u>5,074</u>
Total interest expenses	64,342	37,744
Amortisation of ancillary costs incurred in connection with the arrangement of a bank loan	2,025	2,025
Total finance costs	66,367	39,769
Less: Amount included in cost of construction work	(6,935)	(10,071)
Amount capitalised in properties under development	(5,338)	(3,230)
Amount capitalised in investment property under construction	(25,625)	–
	<u>28,469</u>	<u>26,468</u>

5 PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of construction work	3,290,898	4,079,840
Cost of construction related consultancy services provided	20,982	–
Cost of properties sold	1,757	3,610
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	140	661
Cost of security and facility management services provided	237,328	212,036
Depreciation	21,458	24,242
Less: Amount included in cost of construction work	(14,715)	(20,771)
	<u>6,743</u>	<u>3,471</u>

6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax:		
Hong Kong	41,042	27,140
Mainland China	20,291	3,087
Elsewhere	1,911	804
Over-provision in prior years:		
Elsewhere	(4,227)	–
Deferred	1,033	(3,176)
Total tax expense for the period	<u>60,050</u>	<u>27,855</u>

7 DIVIDEND

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend recognised as distribution during the period in respect of 2017 of HK3.8 cents (2016: Nil) per ordinary share	61,533	–
Interim dividend declared in respect of six months ended 30 September 2017 of HK1.23 cents (six months ended 30 September 2016: Nil) per ordinary share	21,241	–
	82,774	–

8 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the period.

In respect of the diluted earnings per share amount for the period ended 30 September 2017, the calculation of the diluted earnings per share amount is based on the profit for the period attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and took into account the effect of treasury shares.

The calculation of the diluted earnings per share amount for the period ended 30 September 2016 is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all the Group's dilutive convertible bonds at the respective dates of issue. The weighted average number of ordinary shares used in the calculation is the total of (i) the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation; and (ii) the number of ordinary shares to be issued on the deemed conversion of all dilutive convertible bonds into ordinary shares, at the beginning of the period or the date of issue, whichever is the later.

The calculation of the basic and diluted earnings per share amount is based on the following data:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	71,291	44,213
Imputed interest on convertible bonds	–	1,328
	<u>71,291</u>	<u>45,541</u>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>71,291</u>	<u>45,541</u>
	<u>71,291</u>	<u>45,541</u>
	Six months ended 30 September	2016
	2017	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Number of shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,614,743,153	1,473,633,369
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	–	91,593,478
Shares awarded under share award scheme	1,820,342	–
	<u>1,820,342</u>	<u>–</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,616,563,495</u>	<u>1,565,226,847</u>

9 TRADE RECEIVABLES

	30 September	31 March
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables other than retention receivables	1,076,197	1,032,439
Retention receivables	502,270	484,288
	<u>1,578,467</u>	<u>1,516,727</u>

Except for the rental income from leasing of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers. Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are normally settled within one month.

The aged analysis of the trade receivables (other than retention receivables) as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	933,497	902,579
1 to 2 months	64,032	64,734
2 to 3 months	33,495	17,271
Over 3 months	45,173	47,855
	<u>1,076,197</u>	<u>1,032,439</u>

10 TRADE PAYABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade payables other than retention payables	1,199,572	1,032,196
Retention payables	593,250	556,918
	<u>1,792,822</u>	<u>1,589,114</u>

The Group's trade payables (other than retention payables) are non-interest bearing and are normally settled on 30-day terms.

An aged analysis of the Group's trade payables (other than retention payables) as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	697,816	615,846
1 to 2 months	158,731	213,921
2 to 3 months	106,533	63,443
Over 3 months	236,492	138,986
	<u>1,199,572</u>	<u>1,032,196</u>

11 CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated interim financial information:

(a) Corporate guarantees and performance bonds given

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	921,640	990,913
– joint operations	250,446	275,152
	<u>1,172,086</u>	<u>1,266,065</u>
Guarantees issued to financial institutions to secure credit facilities granted to an associate (<i>note (ii)</i>)	–	290,900
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	<u>131,833</u>	<u>126,631</u>
	<u>1,303,919</u>	<u>1,683,596</u>

In addition to the above, corporate guarantees were provided by the Group to two parties to indemnify them any losses and liabilities that they may incur in connection with certain construction work of the Group in which the two parties have involvement, however, the financial impact of the contingent liabilities that may arise from these arrangements is not disclosed as, in the opinion of the directors of the Company, the estimate of which is not practicable to do so.

Notes:

- (i) In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the condensed consolidated statement of financial position in respect of these financial guarantee contracts.
- (ii) At 31 March 2017, the banking facilities granted to an associate and guaranteed by the Group were utilised to the extent of HK\$110,530,000.

(b) Litigations

- (i) In or about August 2013, a subsidiary of the Company commenced legal proceedings to recover outstanding payments against the contract customer of a construction contract in respect of the Tsz Shan Monastery project undertaken by the Group in prior years. The hearing was completed in May 2016 and the judge handed down the judgement on 19 August 2016. The judge awarded a sum of HK\$115 million to the subsidiary after allowing the defendant's counterclaim. The Company made its Application to Set Down for Taxation of its Bill of Costs in October 2017. Based on the latest information and legal advice available to the Group on the amount of legal costs that is expected to be recovered from the defendant, the Group recognised a loss of HK\$34 million in profit or loss during the year ended 31 March 2017 as a result of this litigation.
- (ii) In or about December 2013 and March 2014, a plaintiff commenced two separate legal proceedings against a subsidiary of the Company and the Company, respectively, alleging that the termination of a proposed transaction in relation to the sale of a commercial development and 49% interest in the car park development at No. 8 Clear Water Bay Road (collectively the "Properties") was wrongful and claimed for the loss of capital appreciation of the Properties for the breach of a memorandum entered into between the plaintiff and a subsidiary of the Company in September 2013.

The cases will be tried before a Judge at the High Court Building, No. 38 Queensway, Hong Kong on 15 January 2019 and hearing dates of 15 to 30 January 2019 are reserved. The pre-trial review is scheduled to be heard on 26 September 2018.

Besides, in or about April 2014, another plaintiff commenced legal proceedings against the same subsidiary of the Company alleging that the termination of a proposed transaction in relation to the sale of the commercial development at No. 8 Clear Water Bay Road was wrongful and sought damages from the subsidiary of the Company.

The parties have completed the pleadings stage and have exchanged their witness statements in August 2016. The plaintiff will set the case down by 6 December 2017. The trial is estimated to last for 9 days and dates for the trial shall be fixed by the parties.

Based on the existing legal documents after having performed management's internal critical assessment of the aforesaid cases and seeking advice from independent legal advisor, the directors of the Company are of the opinion that the Group has a reasonable ground of defence on the merits and the cases would be successfully defended, therefore, no material adverse financial impact to the Group is expected.

12 PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Property, plant and equipment	21,525	22,405
Investment property under construction	890,000	840,000
Properties under development	507,684	398,437
Bank deposits	97,749	45,125
	<hr/> 1,516,958 <hr/>	<hr/> 1,305,967 <hr/>

In addition to the above, the Group has pledged the equity interest in a non-wholly-owned subsidiary to secure a banking facility granted to the Group during the period/year.

13 EVENT AFTER THE REPORTING PERIOD

On 23 October 2017, the Group entered into an agreement with an independent third party, pursuant to which the Group conditionally agreed to sell certain unsold properties and a piece of land located in Shijiazhuang City, the People's Republic of China. Completion of the sale is subject to certain conditions precedent as stipulated in the agreement.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 30 September 2017, the total net debts of the Group amounted to approximately HK\$1,623.9 million, representing total debts of approximately HK\$2,988.5 million less total of cash and bank balances of approximately HK\$1,364.6 million. The debt maturity profile, based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2017, is analysed as follows:

	As at 30 September 2017 (Unaudited) HK\$ million	As at 31 March 2017 (Audited) HK\$ million
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	2,282.8	2,477.6
After one year, but within two years		
– On demand shown under current liabilities	55.5	442.1
– Remaining balances	327.8	11.4
After two years, but within five years		
– On demand shown under current liabilities	12.9	32.8
– Remaining balances	3.3	7.2
Over five years		
– On demand shown under current liabilities	–	–
– Remaining balances	4.3	3.9
	2,686.6	2,975.0
Guaranteed bonds		
– Repayable after one year, but within two years	39.0	39.0
Convertible bonds		
– Repayable within one year	262.9	217.8
Total debts	2,988.5	3,231.8

At 30 September 2017, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company, was 0.72 (31 March 2017: 0.66).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars or Renminbi which are the same as the functional currency of the relevant group entities. The Group has no significant exposure to foreign exchange rate fluctuations and shall use derivative contracts to hedge against its exposure to currency risk only when it is required. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in Note 12 to the condensed consolidated interim financial information contained in this announcement.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 11 to the condensed consolidated interim financial information contained in this announcement.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 5,640 employees as at 30 September 2017. Total remuneration of employees for the six months ended 30 September 2017 amounted to approximately HK\$769.1 million. Employees are remunerated according to their nature of work and the market trend, with merit-based component incorporated in the annual increment review to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective divisions and the employees concerned. Moreover, the Group also provides in-house training program and sponsorship for external training courses which are complementary to their job functions.

With a view to providing incentive for employees to achieve performance goals and aligning the interests of employees directly to the shareholders of the Company through ownership of shares of the Company, the Company adopted the restricted share award scheme on 1 August 2017, pursuant to which the Company may grant to eligible participants restricted shares of the Company. Such grant shares are acquired by the scheme trustee on the market of The Stock Exchange Hong Kong Limited (the “Stock Exchange”) and held upon trust for the benefit of the grantees and shall become vested in the grantees upon satisfaction of specified vesting criteria.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.23 cents per share for the six months ended 30 September 2017 (the “Interim Dividend”) (six months ended 30 September 2016: Nil), amounting to approximately HK\$21.2 million (six months ended 30 September 2016: Nil), to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 18 December 2017. The Interim Dividend will be paid on 5 January 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the Interim Dividend, the register of members of the Company will be closed from Thursday, 14 December 2017 to Monday, 18 December 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible for the entitlement to the Interim Dividend, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 13 December 2017.

BUSINESS REVIEW

The Group has performed steadily during the six months ended 30 September 2017 (the "Review Period"), generating a total revenue of HK\$3.85 billion, while net profit attributable to the Shareholders has risen by 61.2% to HK\$71.3 million. Such increase in net profit is mainly attributable to a general improvement in business performance of the Group. During the Review Period, the Group continued implementing plans for establishing its business presence in Asia, in particular, regions that will benefit from the People's Republic of China (the "PRC") government's "Belt and Road Initiative" as well as the "Guangdong-Hong Kong-Macau Greater Bay Area" development plan. Though this strategy shifts from the usual practice of participating in individual projects, the management believes that by investing in high-potential regional construction-related companies over the long term, the Group will be well-positioned to benefit from such ties as local markets develop. Besides taking an equity interest in the Asia market to realise the goal as declared in our name — "Asia Allied", the Group will export its project management expertise and other transferable skills, with an objective of helping its investee companies to grow through participation in the infrastructural boom spurred by the "Belt and Road Initiative" and "Greater Bay Area" development plan.

Construction

The Group's construction business has continued to achieve a steady performance during the Review Period, contributing a revenue of HK\$3.58 billion. Segmental profit has reached HK\$176.8 million, representing a year-on-year increase of 105%. As at the end of the Review Period, the total value of contracts on hand was HK\$30.06 billion, of which HK\$13.19 billion worth of contracts were in progress.

Intense competition has continued to impact the construction industry in Hong Kong and resulted in more restrained profit margins. While most major public infrastructure projects are now near completion, the approval of new projects has been slow due to political concerns. On the other hand, building projects have been spurred by the strong private market demand and the Hong Kong government's initiative to make available more land, particularly for public housing projects.

During the Review Period, the Group has been awarded several significant new projects. A company jointly formed by the Group with two third parties has been awarded a contract for the design and construction of water conveying facilities in the Philippines, which has a contract value of approximately HK\$800 million, by Manila Water Company, Inc. The Group has also entered into a strategic cooperation agreement with a subsidiary of China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司) in July 2017, and is poised to undertake major infrastructure projects with a specific cooperation model. Such undertakings will involve cities in the PRC and countries along the proposed “Belt and Road” routes.

The major projects that have been progressing well during the Review Period include Site Formation and Infrastructure Works for Development of Anderson Road Quarry Site, Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities — Passenger Clearance Building, and Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works — Contract 3, the majority of which call for highly technical skills and world-class construction expertise. On the other hand, major projects completed and delivered during the Review Period include the MTR Contract No. 830 — Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section): Trackwork and Overhead Line System and Handling of Surplus Public Fill (2014 - 2016). As has been the practice of the Group, it has applied innovative technologies to conduct projects, with the aim of enhancing productivity and advancing work site safety, as well as contributing to environmental protection.

During the Review Period, the Group had completed disposals of its interests in a subsidiary, whose principal assets are certain vessels, together with a number of idle dump trucks as detailed in the announcements of the Company dated 25 April 2017 and 28 April 2017.

With respect to the rescinded transaction for acquiring two engineering bureaus under China Chengjian Investment Limited, the Group had instigated legal proceedings against the vendor and its guarantor in May 2017 and later entered into a series of agreements with the parties for the purpose of recovering the investment deposit and partial consideration of HK\$148 million paid to the vendor by the Group.

Property Development and Investment

During the Review Period, the property development and investment operation has contributed a revenue of HK\$2.2 million. Such results are due to the fact that the Group’s property development projects remain under development, such as the residential development projects at No.128 Waterloo Road and Tung Chung Road, and the residential project known as “T PLUS” located at No. 2 Tsing Min Path, Tuen Mun (“T PLUS”) is pending delivery after sales to a third party. During the Review Period, the Group has continued to take a prudent approach, aligning with other developers to pursue projects, and thus allowing it to mitigate risks while consolidating its position in the Hong Kong market.

With regard to the residential development project at No. 128 Waterloo Road, Kowloon, which was acquired in the second half of the previous financial year, the Group has been pursuing the initial plans for developing a medium-density luxury residential property. Besides, during the Review Period, the Group entered into an agreement with an independent third party, pursuant to which the Group has agreed to dispose of the interests in the residential project “T PLUS”. It is expected to bring reasonable returns to the Group upon delivery. Meanwhile, development of the residential project at Tung Chung Road, Lantau Island has remained on track and construction is expected to commence by the end of 2018. The projects mentioned above will be funded by a combination of internal resources and debt financing and the management anticipates sufficient cash flows to meet the expenditure based on the current investment plans. The Group will continue to review and refine its property portfolio, and as aforementioned, engage in projects in joint ventures that facilitate its development in the Hong Kong market.

During the Review Period, the Group had completed disposal of its interests in the joint development residential project located at Yiu Sha Road, Whitehead, Ma On Shan, and had entered into a framework agreement with a third party for negotiating for the potential sale of certain unsold properties and a piece of land located in Shijiazhuang City, the PRC.

Professional Services

The Group’s professional services business, which includes security and facility management, operated under City Services Group Limited (“City Services”) achieved an encouraging performance by contributing a revenue of HK\$268.9 million and segmental profit of HK\$15.1 million during the Review Period. The favourable performance was due to City Services’ ability to retain contracts with major clients, as well as secure new contracts, which include a property management contract for Elegance House in North Point, a security contract with Hong Kong Baptist University, a security and car park management contract of the Hospital Authority — Kowloon East Cluster, as well as a residential security contract for Ocean Shores in Tiu Keng Leng.

Other Business

In its effort to expand the scope of business and thereby create more revenue streams, the Group is now involved in a variety of business that it considers having favourable growth potential, can complement existing businesses or are standalone operations that provide sustainable cash flows. These include the management of Cross-Harbour Tunnel in Hong Kong, provision of high-end safe deposit box services, construction financing services for subcontractors, and operation of an online building materials procurement platform.

OUTLOOK AND PROSPECTS

Construction

Infrastructure development in Hong Kong is expected to continue, albeit at a less prodigious pace as approval of government projects is likely to remain slow. Major projects that the market is anticipating include the Central Kowloon Route, Tung Chung Land Reclamation for Tung Chung New Town Extension, and Hong Kong International Airport's Three Runway System construction and related projects. Infrastructure construction costs are predicted to rise less steeply in the coming one to two years and costs for housing construction materials will remain steady. Apart from the Hong Kong market, the Group will seek to expand its footprint by means of acquisitions and partnerships, particularly for projects in the PRC and large-scale infrastructure projects in countries along the "Belt and Road" routes.

In line with the aforementioned strategy, the Group has entered into an agreement to acquire partial equity interest in Ng Kam Kee Construction Company Limited ("Ng Kam Kee"), a construction company with long history of business presence in Macau, in October 2017 as a strategic shareholder. The acquisition is expected to be completed by the end of 2017. The Group will leverage Ng Kam Kee's network and platform to tap the Macau market. This latest acquisition marks the milestone in realising the Group's expansion plan for its construction business.

Property Development and Investment

With house prices reaching new highs, there are concerns that the property market will become overheated, thus creating uncertainty on its outlook in the short term. However, the gradual increase in housing supply and possible impact of further interest rate hikes in the United States may potentially curb house price volatility in Hong Kong. In view of the many factors that may influence the market, the Group will stay prudent while striving to advance the property development and investment business. Correspondingly, the Group has been focusing increasingly on properties which hold the potential for generating long-term income in the form of joint ventures so as to reduce the amount of initial capital required for each project. This strategy will capitalise on the demand for retirement housing given the rising elderly population in Hong Kong. The Group will seek co-development opportunity of a premium retirement housing project in Hong Kong.

Professional Services

To support the long-term development of City Services, the Group will continue to consider the feasibility of various proposals to pursue its spin-off and separate listing on the Stock Exchange.

Conclusion

Going forward, the Group will actively explore opportunities to collaborate in quality Public-Private Partnership (PPP) projects in the PRC and large-scale infrastructure development projects arising from the “Belt and Road Initiative” and “Guangdong-Hong Kong-Macau Greater Bay Area” development plan. Such initiatives will include acquisitions of and long-term investments in high-potential Pan-Asian construction companies while the Group will offer support for their growth and work with these investee companies to seize opportunities from the anticipated infrastructure construction boom driven by the aforementioned initiatives. In respect of the property development business, the Group will look more closely at highly suitable co-development opportunities given the uncertain conditions of the Hong Kong market.

Asia Allied Infrastructure Holdings Limited is a unique company that is in an ideal position to capitalise on two of the most significant initiatives which benefit modern-day Asia. With 50 years of experience, a sterling reputation, highly capable and farsighted management and skilled technical teams, the Group possesses the will and the means to seize current and upcoming opportunities all the while, thereby enabling the Group to increase its global presence and eventually evolve into a leading multinational enterprise.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in Note 13 to the condensed consolidated interim financial information contained in this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

During the six months ended 30 September 2017, Acheson Limited, the trustee appointed for the administration of the restricted share award scheme of the Company adopted on 1 August 2017, purchased on the market of the Stock Exchange a total of 19,330,000 shares of the Company at a total consideration of approximately HK\$15,350,000 in accordance with the rules and trust deed of such scheme.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, after a specific enquiry made by the Company, that they have fully complied with the required standard set out in the Model Code throughout the period under review.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Board (the "Audit Committee") comprises three members, namely Mr. Wu William Wai Leung (Chairman of the Audit Committee), Mr. Ho Gilbert Chi Hang and Mr. Lam Yau Fung, Curt, all being Independent Non-executive Directors. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2017.

By Order of the Board
**ASIA ALLIED INFRASTRUCTURE
HOLDINGS LIMITED**
Pang Yat Ting, Dominic
Chairman

Hong Kong, 29 November 2017

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua, Ir Dr. Pang Yat Bond, Derrick, JP, Mr. Shea Chun Lok, Quadrant and Madam Li Wai Hang, Christina and the independent non-executive directors of the Company are Mr. Ho Gilbert Chi Hang, Mr. Lam Yau Fung, Curt and Mr. Wu William Wai Leung.