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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

	2016/17	2015/16
	HK$'000	*HK$'000*
Total revenue	**8,810,797**	8,541,826
Profit attributable to shareholders of the Company	**205,506**	301,950
Basic earnings per share	**HK13.62 cents**	HK21.35 cents
Dividend per share	**HK3.8 cents**	–
Equity per share*	**HK$1.37**	HK$1.35

* *Equity per share refers to equity attributable to shareholders of the Company divided by the total number of issued ordinary share capital as at 31 March 2017 and 31 March 2016 respectively.*

RESULTS

The Board of Directors (the "Board" or the "Directors") of Asia Allied Infrastructure Holdings Limited (formerly known as China City Construction Group Holdings Limited) (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017, together with the relevant comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	3	**8,810,797**	8,541,826
Cost of sales		**(8,350,054)**	(8,053,293)
Gross profit		**460,743**	488,533
Other income and gains, net		**132,984**	286,802
Fair value gain of investment properties, net		**88,855**	3,875
Selling expenses		**(7,344)**	(6,247)
Administrative expenses		**(408,120)**	(378,067)
Other expenses, net		**(449)**	(214)
Finance costs	4	**(56,726)**	(43,251)
Share of profits and losses of associates		**26,004**	(1,711)
PROFIT BEFORE TAX	5	**235,947**	349,720
Income tax	6	**(30,126)**	(43,246)
PROFIT FOR THE YEAR		**205,821**	306,474
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Translation of foreign operations		**(45,123)**	(38,006)
Reclassification adjustments for gains included in profit or loss upon deregistration of subsidiaries		**(1,265)**	(4,530)
Share of movements in exchange fluctuation reserves of associates		**(99)**	114
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX OF NIL		**(46,487)**	(42,422)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**159,334**	264,052

	Note	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**205,506**	301,950
Non-controlling interests		**315**	4,524
		205,821	306,474
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**159,019**	259,528
Non-controlling interests		**315**	4,524
		159,334	264,052
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
Basic		**HK13.62 cents**	HK21.35 cents
Diluted		**HK13.62 cents**	HK19.76 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**267,813**	282,527
Investment properties		**866,120**	29,554
Goodwill		**44,686**	–
Investments in joint ventures		**313,993**	313,993
Investments in associates		**75,963**	295,632
Deferred tax assets		**5,693**	2,134
Total non-current assets		**1,574,268**	923,840
CURRENT ASSETS			
Land held for property development		**523,714**	538,558
Properties under development		**398,437**	305,155
Properties held for sale		**6,707**	13,855
Amounts due from contract customers		**1,888,491**	2,011,048
Trade receivables	9	**1,516,727**	1,692,962
Prepayments, deposits and other receivables		**599,725**	423,053
Income tax recoverables		**10,011**	9,113
Equity investments at fair value through profit or loss		**105**	147
Restricted cash and pledged deposits		**51,419**	268,950
Cash and cash equivalents		**1,713,371**	1,005,420
		6,708,707	6,268,261
Non-current assets and assets of a disposal group classified as held for sale		**180,189**	–
Total current assets		**6,888,896**	6,268,261
CURRENT LIABILITIES			
Amounts due to contract customers		**734,827**	685,830
Trade payables	10	**1,589,114**	1,372,138
Other payables and accruals		**482,411**	357,669
Bank and other borrowings		**2,938,779**	1,713,358
Liability component of convertible bonds		**217,778**	–
Derivative components of convertible bonds		**38,260**	–
Hire purchase contract and finance lease payables		**13,666**	26,336
Income tax payables		**53,700**	59,822
		6,068,535	4,215,153
Liabilities directly associated with the assets classified as held for sale		**748**	–
Total current liabilities		**6,069,283**	4,215,153
NET CURRENT ASSETS		**819,613**	2,053,108
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,393,881**	2,976,948

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables	**65,701**	81,198
Bank and other borrowings	**5,749**	791,090
Liability component of convertible bonds	–	119,800
Guaranteed bonds	**39,000**	–
Hire purchase contract and finance lease payables	**16,845**	33,803
Deferred tax liabilities	**21,326**	22,351
Total non-current liabilities	**148,621**	1,048,242
Net assets	**2,245,260**	1,928,706
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**161,929**	141,462
Reserves	**2,058,553**	1,761,394
	2,220,482	1,902,856
Non-controlling interests	**24,778**	25,850
Total equity	**2,245,260**	1,928,706

NOTES TO RESULTS
31 March 2017

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). It has been prepared under the historical cost convention 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. This financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial information includes the financial information of the Company and its subsidiaries for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial information:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial information.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments to HKFRS 5 are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no significant impact on the Group as the Group did not have any changes in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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 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, fair value gain of the derivative components of convertible bonds and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results

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

For the year ended 31 March 2017

	Construction work *HK$'000*	Property development and investment *HK$'000*	Professional services *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	8,308,549	17,389	484,859	8,810,797
Segment results	149,203	123,389	15,772	288,364
Interest income				20,587
Fair value gain of the derivative components of convertible bonds				44,386
Corporate and other unallocated expenses				(60,664)
Finance costs				(56,726)
Profit before tax				235,947
Income tax				(30,126)
Profit for the year				205,821
Other segment information:				
Share of profits and losses of associates	–	26,004	–	26,004
Depreciation	(47,625)	(263)	(1,152)	(49,040)
Fair value gain of investment properties, net	–	88,855	–	88,855
Gain/(loss) on disposal of items of property, plant and equipment, net	5,193	68	(38)	5,223

For the year ended 31 March 2016

	Construction work *HK$'000*	Property development and investment *HK$'000*	Professional services *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	8,062,940	49,538	429,348	8,541,826
Segment results	183,189	194,859	19,356	397,404
Interest income				24,342
Corporate and other unallocated expenses				(28,775)
Finance costs				(43,251)
Profit before tax				349,720
Income tax				(43,246)
Profit for the year				306,474
Other segment information:				
Share of profits and losses of associates	–	(1,711)	–	(1,711)
Depreciation	(55,104)	(257)	(995)	(56,356)
Fair value gain of investment properties, net	–	3,875	–	3,875
Loss on disposal of items of property, plant and equipment, net	(8)	–	(112)	(120)
Write-off of items of property, plant and equipment	(19,424)	–	–	(19,424)

Segment assets and liabilities

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

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**8,693,874**	7,758,473
Macau	**75,398**	735,819
Mainland China	**8,951**	11,657
The United Arab Emirates	**1,215**	35,877
Other jurisdictions	**31,359**	–
	8,810,797	8,541,826

The revenue information disclosed above is based on the locations of the customers.

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,097,912**	518,648
The United States of America	**313,993**	313,993
Mainland China	**5,741**	5,392
Other jurisdictions	**106,243**	83,673
	1,523,889	921,706

The non-current asset information disclosed above is based on the locations of the assets and excludes goodwill, financial assets and deferred tax assets.

Information about major customers

A summary of revenue earned from two external customers which individually contributed more than 10% of the Group's revenue for the years ended 31 March 2017 and 2016 is set out below:

	2017	2016
	HK$'000	*HK$'000*
Customer A:		
Contribution to construction work segment	**4,880,336**	4,410,015
Contribution to professional services segment	**24,556**	18,747
	4,904,892	4,428,762
Customer B:		
Contribution to construction work segment	**843,550**	1,414,786
Contribution to professional services segment	**289,696**	246,014
	1,133,246	1,660,800

4. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Bank loans and other loans	**70,666**	72,654
Unsecured bond payable to the ultimate holding company	**198**	–
Unsecured bond payable to a related company	**–**	4,018
Hire purchase contract and finance lease payables	**1,285**	2,016
Convertible bonds	**788**	–
	72,937	78,688
Imputed interest on:		
Convertible bonds	**34,887**	8,212
Interest-free loans from a non-controlling equity holder of a subsidiary	**815**	935
	35,702	9,147
Total interest expenses	**108,639**	87,835
Amortisation of ancillary costs incurred in connection with the arrangement of a bank loan	**4,050**	1,013
Total finance costs	**112,689**	88,848
Less: Amount included in cost of construction work	**(21,547)**	(40,967)
Amount capitalised in properties under development	**(6,571)**	(4,630)
Amount capitalised in investment properties under construction	**(27,845)**	–
	56,726	43,251

5. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of construction work	**7,910,390**	7,610,987
Cost of properties sold	**8,583**	55,747
Cost of services provided	**431,081**	386,559
Depreciation	**49,040**	56,356
Less: Amount included in cost of construction work	**(41,751)**	(49,314)
	7,289	7,042
(Gain)/loss on disposal of items of property, plant and equipment, net	**(5,223)**	120

6. INCOME TAX

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

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**26,436**	22,363
Under-provision in prior years	**613**	5,157
	27,049	27,520
Current – Mainland China		
Charge for the year	**4,750**	3,344
Under-provision in prior years	**–**	1,801
	4,750	5,145
Current – Elsewhere		
Charge for the year	**2,196**	9,587
Deferred	**(3,869)**	994
Total tax expense for the year	**30,126**	43,246

7. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Proposed final dividend – HK3.8 cents (2016: Nil) per ordinary share	**61,533**	–

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

In respect of the diluted earnings per share amount for the year ended 31 March 2017, no adjustment has been made to the basic earnings per share amount presented as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amount for the year ended 31 March 2016 is based on the profit for the year 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 year, 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 year or the date of issue, whichever is the later.

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	**205,506**	301,950
Imputed interest on convertible bonds	**–**	8,212
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	**205,506**	310,162

	2017	2016
Number of shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,508,449,313**	1,414,254,283
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	155,489,041
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,508,449,313**	1,569,743,324

9. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables other than retention receivables	**1,032,439**	1,168,034
Retention receivables	**484,288**	524,928
	1,516,727	1,692,962

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 and net of impairment, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**902,579**	1,011,558
1 to 2 months	**64,734**	83,795
2 to 3 months	**17,271**	35,259
Over 3 months	**47,855**	37,422
	1,032,439	1,168,034

10. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables other than retention payables	**1,032,196**	829,189
Retention payables	**556,918**	542,949
	1,589,114	1,372,138

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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**615,846**	474,809
1 to 2 months	**213,921**	159,409
2 to 3 months	**63,443**	62,530
Over 3 months	**138,986**	132,441
	1,032,196	829,189

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 financial statements:

(a) Corporate guarantees and performance bonds given

	2017	2016
	HK$'000	*HK$'000*
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	**990,913**	676,313
– joint operations	**275,152**	388,291
	1,266,065	1,064,604
Extent of guarantees issued to financial institutions to secure credit facilities granted to associates *(note (ii))*	**290,900**	298,100
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	**126,631**	165,252
	1,683,596	1,527,956

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 consolidated statement of financial position in respect of these financial guarantee contracts.

(ii) At 31 March 2017, the banking facilities guaranteed by the Group to associates were utilised to the extent of HK$110,530,000 (2016: HK$117,730,000).

(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 Bill of Costs for legal costs incurred by the Group was served to the Court on 23 June 2017. Based on 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 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 plaintiff and the subsidiary of the Company have completed the pleadings stage and have exchanged their witness statements in March 2015 and produced their expert reports on 1 April 2016. The parties have exchanged the supplemental expert report on 18 October 2016. The Plaintiff will set both cases down by 20 July 2017. The trial is estimated to last for 12 days and dates for the trial shall be fixed by the parties.

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 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. Joint expert has been appointed and the parties are resolving the valuation basis for the joint report. The 4th Case Management Conference is adjourned to 25 October 2017.

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. PLEDGED OF ASSETS

The carrying amounts of the assets pledged by the Group to secure banking facilities granted to the Group as at the end of the reporting period are summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**22,405**	33,765
Investment properties	**840,000**	–
Properties under development	**398,437**	305,155
Bank deposits	**45,125**	262,281
	1,305,967	601,201

In addition to the above, as at 31 March 2017 and 2016, the Group has pledged the equity interest in a non-wholly-owned subsidiary to secure a banking facility granted to the Group.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following significant events occurred:

(a) On 31 March 2017, the Group entered into agreements with an independent third party to dispose of all its interest in a parcel of land located in Ma On Shan, Shatin, Hong Kong through (i) the disposal of Loyal Pioneer Limited, a then associate in which the Group held 10% equity interest, and (ii) the assignment of the Group's interest in loans to Loyal Pioneer Limited. The transaction was completed on 19 May 2017 and all the sale proceeds have been received as at the date of this announcement.

(b) On 25 April 2017, the Group, as the vendor, entered into agreements with a connected person of the Company at the subsidiary level, as the purchaser, to (i) dispose of the entire issued share capital of Regal Rich Limited ("Regal Rich"), a then indirect 50% owned subsidiary of the Company, together with the outstanding shareholder's loan owed by Regal Rich to the Group; and (ii) dispose of certain dump trucks as included in property, plant and equipment. The major assets of Regal Rich are vessels. The transactions constitute a series of connected transactions that are subject to the disclosure requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions were completed on 28 April 2017 and all the sale proceeds have been received as at the date of this announcement. Further details are set out in the Company's announcements dated 25 April 2017 and 28 April 2017.

(c) On 2 June 2017, the Group entered into a framework agreement with an independent third party in relation to the potential disposal of certain equity interest in 石家莊俊景房地產開發有限公司 (the "PRC Company"), an indirect wholly-owned subsidiary of the Company incorporated in the People's Republic of China (the "PRC"). The main assets of the PRC Company are certain car parking spaces and a piece of land located in Shijiazhuang City, the PRC. Further details of the framework agreement are set out in the Company's announcement dated 2 June 2017. Up to the date of this announcement, the disposal transaction is still under negotiation.

(d) On 8 June 2017, the Group entered into deeds of waiver with two convertible bondholders, pursuant to which a conversion price adjustment clause set out in the terms of the convertible bonds was waived by the bondholders.

(e) On 19 June 2017, the Group entered into a provisional agreement for sale and purchase with an independent third party, pursuant to which the Group has agreed to dispose of all its interest in a residential project at Tseng Choi Street, Tuen Mun, Hong Kong through the disposal of an indirect 60% owned subsidiary together with the outstanding shareholder's loan owed to the Group.

(f) On 26 June 2017, the Group entered into a series of agreements with, amongst others, an entity (the "Entity") and its fellow subsidiary for the purpose of recovering an investment deposit and partial consideration of HK$148 million paid to the Entity by the Group for a rescinded acquisition transaction. No further details of the agreements are disclosed as they were entered into on a confidential basis.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current year's presentation and disclosures.

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 31 March 2017, the total net debts of the Group amounted to approximately HK$1,467.0 million, representing total debts of approximately HK$3,231.8 million less total of cash and bank balances of approximately HK$1,764.8 million. The debt maturity profile, based on scheduled repayment dates set out in loan agreements of the Group at 31 March 2017, is analysed as follows:

	As at 31 March 2017	As at 31 March 2016
	HK$ million	*HK$ million*
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	**2,477.6**	1,207.5
After one year, but within two years		
– On demand shown under current liabilities	**442.1**	197.9
– Remaining balances	**11.4**	178.8
After two years, but within five years		
– On demand shown under current liabilities	**32.8**	334.2
– Remaining balances	**7.2**	646.2
Over five years		
– On demand shown under current liabilities	**–**	–
– Remaining balances	**3.9**	–
	2,975.0	2,564.6
Guaranteed bonds		
– Repayable after one year, but within two years	**39.0**	–
Convertible bonds		
– Repayable within one year	**217.8**	–
– Repayable after one year but within two years	**–**	119.8
Total debts	**3,231.8**	2,684.4

At 31 March 2017, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company, was 0.66 (2016: 0.74).

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 results.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 11 to the results.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 4,990 employees as at 31 March 2017. Total remuneration of employees for the year ended 31 March 2017 (the "Year") amounted to approximately HK$1,429.5 million. Employees are remunerated according to their nature of work and the market trend, with merit-based components 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 provides in-house training program and sponsorship for external training courses which are complementary to their job functions.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3.8 cents per share for the Year (the "Final Dividend") (2015/16: Nil), amounting to approximately HK$61.5 million (2015/16: Nil), to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 29 August 2017. The proposed Final Dividend will be paid on 13 September 2017 subject to approval by the Shareholders at the forthcoming annual general meeting (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 16 August 2017 to Monday, 21 August 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, 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 Tuesday, 15 August 2017.

For the purpose of determining the entitlement to the proposed Final Dividend (subject to approval of the Shareholders at the AGM), the register of members of the Company will be closed from Friday, 25 August 2017 to Tuesday, 29 August 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 proposed Final 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 Thursday, 24 August 2017.

BUSINESS REVIEW

We are pleased to have achieved sound overall financial performance for the Year. The Group recorded a total revenue of HK$8.81 billion for the Year and a year-on-year revenue increase of 3.1%. Net profit attributable to Shareholders decreased by 31.9% to HK$206 million. This decrease was mainly due to the fact that in the previous year, a gain on sale of property interests through the disposal of a subsidiary was recorded. If the impact of that previous gain is excluded, net profit attributable to Shareholders for the Year shows an increase of 100.6%, with earnings per share surging by 88.1% to HK13.62 cents. The Company's net asset value per share amounted to HK$1.39 as at 31 March 2017 (2016: HK$1.36).

With sound profitability and strong net cash flows generated from operations, the Board has proposed to reward Shareholders by a final dividend of HK3.8 cents per share for the Year (2015/16: Nil).

Construction

The Group's core construction segment, mainly operated under the well-established brand of "Chun Wo", performed steadily in the Year. The construction segment has continued its trend of expansion by achieving revenue growth for consecutive years. While attaining a satisfactory segmental profit of HK$149 million, segmental revenue for the Year reached a record high of HK$8.31 billion, representing a year-on-year increase of 3.0%. As at 31 March 2017, the total value of the Group's contracts on hand was HK$31.26 billion, of which HK$13.81 billion remained in progress. These amounts represent a slight decrease of 1.3% and 0.9% respectively over last year's figures.

Delays in funding approval for large-scale public works construction projects by the Hong Kong Legislative Council continued to bring challenges to the local construction industry over the Year, although they also led to a gentle decline in labour costs, which have traditionally been very high due to the imbalance between skilled labour and the number of projects underway. The private housing market, by contrast, remained relatively buoyant.

To minimise the impact of the downward trend in public construction projects in the last couple of years, the Group has explored various mechanisation and streamlining initiatives aimed at reducing costs and increasing construction efficiency. A milestone in these initiatives has been the pioneering use of fully precast units in a subsidised housing construction project in Shatin, which has helped the Group achieve lower labour costs and higher profit margins.

The total value of the new contracts secured by the Group during the Year was HK$7.3 billion, representing an increase of 23% as compared with the figure of HK$5.9 billion for the previous year. Major new projects secured during the Year include the contracts for Site Formation and Infrastructure Works for Development of the Anderson Road Quarry Site with a contract sum of HK$2.66 billion, Construction of the Public Rental Housing Redevelopment at Pak Tin Estate Phases 7 and 8 with a contract sum of HK$1.99 billion, Road and Drainage Works for Queen's Hill Development with a contract sum of HK$428 million, Design and Construction of the Redevelopment of Kwai Chung Hospital (Phase 1) with a contract sum of HK$370 million, and Construction of the Columbarium at Wo Hop Shek Cemetery – Phase 1 with a contract sum of HK$669 million. Significant new building maintenance contracts awarded during the Year include two term contracts for Architectural Services Department of the Hong Kong government, which are worth HK$800 million and HK$714 million respectively.

Meanwhile, the Group continued to undertake 33 ongoing projects during the Year, with a number of major projects reaching significant project milestones after making satisfying progress. A total of 28 projects were completed and delivered during the Year. In particular, phase two of the Happy Valley Underground Stormwater Storage Scheme was completed and came into full operation in March 2017, contributing to the improvement of flooding protection for the communities of Happy Valley and Wan Chai; and in November 2016, the track-laying part of the main tunnels of MTR Contract No. 830 – Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section): Trackwork and Overhead Line System was completed. Substantial projects completed include the Wan Chai Development Phase II: Central-Wan Chai Bypass at Hong Kong Convention and Exhibition Centre, the Proposed Development of Gleneagles Hong Kong Hospital at Nam Fung Path, Aberdeen Island, the MTR Kwun Tong Line Extension: Whampoa Station, and the Main Contract Works for the Retail Expansion of City of Dreams, Macau.

As part of its focus on growth and expansion outside Hong Kong, the Group completed the acquisition of an engineering and architecture company in Singapore. The Group believes that the acquisition will create synergies and serve as an important step for taking advantage of the opportunities arising from large-scale overseas infrastructure projects under the Chinese government's "Belt and Road" initiative.

The Group has reached a settlement regarding the legal proceedings which it instigated against the project company and the other investing party of the joint development residential project located at Yiu Sha Road, Whitehead, Ma On Shan and discontinued the legal proceedings. The Group considers that the terms of the settlement are in its best interests. As for the agreement entered into during the previous financial year for acquiring two engineering bureaus under China Chengjian Investment Limited, both parties agreed during the Year to re-negotiate the acquisition. After careful consideration of the circumstances of the target companies and taking into account the best interests of the Group, the Group did not reach an agreement on the terms of the acquisition or enter into the final agreement with the vendor by the long-stop date of 31 March 2017.

Property Development and Investment

The Group's property development and investment segment recorded a profit of HK$123 million for the Year (2015/16: HK$195 million). The decrease in segmental profit for the Year was mainly due to the effect of the gain on sale of property interests recorded in the previous year as mentioned above.

In October 2016, the Group acquired a property located at No. 128 Waterloo Road, Kowloon through tender for a residential development project. The Group considers that the project is of great potential given that the Hong Kong property market has shown a steady upward trend in recent years, and there is a continued under-supply of quality housing to meet the strong demand. The Group's Waterloo Road development represents an important step forward in its property development ambitions in Hong Kong.

During the Year, the Group's residential project known as "T PLUS" located at Tseng Choi Street, Tuen Mun progressed as scheduled. Construction of the superstructure had been completed up to the 6th floor level by year-end. The entire project is scheduled for completion by the end of 2018, when it will offer a total gross floor area of approximately 148,000 sq. ft., inclusive of 356 residential units and a commercial floor area of approximately 38,000 sq. ft.. After the year-end, the Group entered into a provisional agreement with an independent third party, pursuant to which the Group has agreed to dispose of all its interests in the project. The details are disclosed in note 13(e) to the results.

On the other hand, the Group has commenced the early stage of development of the residential project located at Tung Chung Road, Lantau Island. A land exchange application is currently in progress, and construction work is expected to begin at the end of 2018. In December 2016, the Group completed the sale of its entire interests in the rental property of shops and car park spaces in Grand View Garden located at Hammer Hill Road, Kowloon, which had strengthened the liquidity position of the Group to facilitate development projects with greater potential.

Professional Services

The Group's security and facility management segment under City Services Group Limited ("City Services") continued to prosper during the Year with a record-high segmental revenue of HK$485 million, which represents year-on-year growth of 12.9%. City Services also achieved a strong profit performance, recording a segmental profit of HK$16 million. Excluding the non-recurring expenses incurred for the proposed spin-off and separate listing of City Services on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Proposed Spin-off"), segmental profit grew by 25.6% as compared to the previous financial year.

Besides achieving a number of important contract renewals with major clients, City Services also attracted a number of new clients through its reputation for stringent professionalism. New contracts secured during the Year include those for two properties of MTR Corporation Limited (Harbour Green and Grand Austin), North District Hospital, YOHO Mall I Extension, Two MacDonnell Road and Shatin Donor Centre of Hong Kong Red Cross Blood Transfusion Service. The Group also actively sought new business opportunities for providing venue security services for major local events, such as the Hong Kong Wine & Dine Festival, the Hong Kong Food Carnival and the Hong Kong Brands & Products Expo.

Other Business

The Group has diversified its income streams by expanding the scope of its business activities. During the Year, the Group secured a six-year management, operation and maintenance contract for Cross-Harbour Tunnel in Hong Kong, which commenced in November 2016. The contract for management of Hong Kong's busiest Cross-Harbour Tunnel presents an opportunity for the Group to showcase its capabilities in infrastructure management and gain valuable experience in this field.

The Group has also branched out into offering high-end safe deposit box rental services. Operation commenced in the first half of 2017, with the facilities occupying around 5,000 sq. ft. of space located close to Hong Kong's central business district. The facilities are designed to meet the needs of high-end corporate customers and offer 24-hour security services, the most advanced security system and European-manufactured safe deposit boxes.

OUTLOOK AND PROSPECTS

Construction

The Group expects stable performance from its construction segment in the coming years as it capitalise on advantage of its expertise and strong reputation to continue to secure valuable contracts in Hong Kong. The Hong Kong government's strong political will to increase the housing supply makes it probable that a steady stream of public housing projects will continue to emerge in the next few years. Chun Wo's proven experience in this field puts the Group in a strong position to take advantage of these upcoming business opportunities. At the same time, the continuing buoyancy of Hong Kong's private sector housing market suggests that property developers will be looking to take advantage by launching new development projects. This gives the Group considerable optimism regarding the likely construction opportunities in the years ahead.

The Group will also proactively expand its footprint overseas, in particular Asia. It either has already secured or is negotiating for a number of projects in Singapore, the Maldives, the Philippines and other countries in the region.

Property Development and Investment

With regard to its property development and investment business, the Group anticipates promising income to be generated from "T PLUS" and the residential projects located at No. 128 Waterloo Road and Tung Chung Road. The Group has also been negotiating with a potential buyer for the disposal of certain interests in the properties located in Shijiazhuang City, the People's Republic of China pursuant to the framework agreement entered into in June 2017. This is expected to bring reasonable returns and further strengthen the liquidity position of the Group.

With the goal of participating more intensively in the vibrant property market and expanding its project portfolio, the Group will continue to explore business models for collaboration with potential co-investors or other developers in ways that best utilise the Group's capital.

Professional Services

While continuing its efforts in enlarging its market share in the security and facility management services market, it is the Group's intention to continue proceeding with the Proposed Spin-off of City Services. The Company will issue further announcements about material developments relating to the Proposed Spin-off in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as and when appropriate.

Overview

One of the main drivers behind the Group's initiatives in the Year to explore the acquisition or development of new business has been our target to expand the Group's regular income streams. The Group will continue to seek potential investments or acquisition targets which are in line with this belief in the future.

With the "Belt and Road" initiative beginning to be put into practice, the Group is looking to take part in the process by offering its services primarily as a provider of technical and consultancy services, and as an investor should opportunities arise. The Group is thus actively exploring Asian markets and looking for opportunities to participate in these projects through merger-and-acquisition activities where appropriate. Another focus will be potential opportunities arising from the development plan for the Guangdong-Hong Kong-Macau Big Bay Area.

The Group's emphasis on growth, its efforts to develop strong and recurrent income streams, and its strategic plans to export its skills to the wider Asian market through collaborative partnerships, are all measures aimed at enhancing its profitability and strengthening its competitiveness. Building on core strengths developed over decades of success, the Group is now ready to step more ambitiously into the region's growing markets and live up to the intentions declared in its new name.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 13 to the results.

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 Year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules throughout the Year except for the deviations from the code provisions A.4.1, A.4.2 and A.5.1 of the Code for a certain period during the Year.

Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election while Mr. Pang Yat Ting, Dominic, one of the then Co-Chairmen of the Company, who was also a non-executive Director, was appointed with no specific term and not subject to re-election. Moreover, pursuant to code provision A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years, while the then Co-Chairmen and the Managing Director of the Company were not subject to retirement by rotation. In respect of the above deviations, the Board considered that the stability and continuity of the services of Mr. Pang Yat Ting, Dominic, one of the then Co-Chairmen of the Company, were essential for the effective long-term strategic planning of the Group and its implementation and believed that the arrangement was beneficial to the Company and the Shareholders as a whole.

At the special general meeting of the Company held on 31 October 2016, a special resolution was passed to amend the provisions in the bye-laws of the Company in relation to retirement and re-election of Directors in general meetings in compliance with the code provisions. The Company has also been in compliance with code provision A.4.1 of the Code following the re-designation of Mr. Pang Yat Ting, Dominic from a non-executive Director to an executive Director on 7 March 2017.

Following the resignation of two independent non-executive Directors on 25 October 2016, the number of independent non-executive directors of the Company had temporarily fallen below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules, and the Company had simultaneously failed to meet the requirements with regard to the composition of the audit committee (the "Audit Committee"), the remuneration committee and nomination committee of the Board set out under the Listing Rules and code provision A.5.1 of the Code. The casual vacancies have been filled by the appointment of two independent non-executive Directors on 20 January 2017, after which the Company has been in compliance with the requirements with regard to the number of independent non-executive directors and composition of the board committees.

Further information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2016/17 Annual Report.

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 Year.

AUDIT COMMITTEE REVIEW

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 annual results of the Group for the Year.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

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

Hong Kong, 29 June 2017

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Xu Jianhua and Ir Dr. Pang Yat Bond, Derrick, 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.