

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018

FINANCIAL HIGHLIGHTS

	2017/18 HK\$'000
Total revenue	8,231,055
Profit attributable to shareholders of the Company	150,176
Basic earnings per share	HK8.83 cents
Dividend per share	
– Interim	HK1.23 cents
– Final	HK1.09 cents
Full year	HK2.32 cents
Equity per share*	HK\$1.34

* *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 2018.*

RESULTS

The Board of Directors (the “Board” or the “Directors”) of Asia Allied Infrastructure 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 2018, 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 2018

	Note	2018 HK\$'000	2017 HK\$'000
REVENUE	3	8,231,055	8,810,797
Cost of sales		<u>(7,846,341)</u>	<u>(8,350,054)</u>
Gross profit		384,714	460,743
Other income and gains, net		88,669	132,984
Fair value gain of investment properties, net	4	261,900	88,855
Selling expenses		(16,117)	(7,344)
Administrative expenses		(403,817)	(408,120)
Other expenses, net		(23,237)	(449)
Finance costs	5	(66,838)	(56,726)
Share of profit of a joint venture		797	—
Share of profits and losses of associates		<u>4,129</u>	<u>26,004</u>
PROFIT BEFORE TAX	6	230,200	235,947
Income tax	7	<u>(66,523)</u>	<u>(30,126)</u>
PROFIT FOR THE YEAR		163,677	205,821
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences:			
Translation of foreign operations		70,019	(45,123)
Reclassification adjustments for gains included in profit or loss upon deregistration of subsidiaries		(15,408)	(1,265)
Share of movement in exchange fluctuation reserve of a joint venture		(421)	—
Share of movements in exchange fluctuation reserves of associates		<u>404</u>	<u>(99)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		<u>54,594</u>	<u>(46,487)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>218,271</u>	<u>159,334</u>

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		150,176	205,506
Non-controlling interests		13,501	315
		<u>163,677</u>	<u>205,821</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		204,770	159,019
Non-controlling interests		13,501	315
		<u>218,271</u>	<u>159,334</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	9		
Basic		<u>HK8.83 cents</u>	<u>HK13.62 cents</u>
Diluted		<u>HK8.80 cents</u>	<u>HK13.62 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		256,896	267,813
Investment properties	4	14,263	866,120
Goodwill		47,561	44,686
Investments in joint ventures		315,104	313,993
Investments in associates		384,089	75,963
Deferred tax assets		6,775	5,693
Total non-current assets		1,024,688	1,574,268
CURRENT ASSETS			
Land held for property development		550,103	523,714
Properties under development		667,994	398,437
Properties held for sale		6,651	6,707
Amounts due from contract customers		1,966,743	1,888,491
Trade receivables	10	1,668,172	1,516,727
Prepayments, deposits and other receivables		572,387	599,725
Sales deposits received held in an escrow account	11	144,093	—
Income tax recoverables		10,859	10,011
Equity investments at fair value through profit or loss		80	105
Restricted cash and pledged deposits		37,330	51,419
Cash and cash equivalents		1,979,852	1,713,371
		7,604,264	6,708,707
Non-current assets and assets of a disposal group classified as held for sale		—	180,189
Total current assets		7,604,264	6,888,896
CURRENT LIABILITIES			
Amounts due to contract customers		796,012	734,827
Trade payables	12	1,519,774	1,589,114
Other payables and accruals		480,480	482,411
Sales deposits received for sale of a property interest	11	297,360	—
Bank and other borrowings		2,705,454	2,938,779
Liability component of convertible bonds		—	217,778
Derivative components of convertible bonds		—	38,260
Guaranteed bonds		39,000	—
Hire purchase contract and finance lease payables		10,838	13,666
Income tax payables		80,048	53,700
		5,928,966	6,068,535
Liabilities directly associated with the assets of a disposal group classified as held for sale		—	748
Total current liabilities		5,928,966	6,069,283
NET CURRENT ASSETS		1,675,298	819,613
TOTAL ASSETS LESS CURRENT LIABILITIES		2,699,986	2,393,881

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables	147,603	65,701
Bank and other borrowings	5,515	5,749
Guaranteed bonds	–	39,000
Hire purchase contract and finance lease payables	5,969	16,845
Deferred tax liabilities	16,817	21,326
Total non-current liabilities	175,904	148,621
Net assets	2,524,082	2,245,260
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	187,553	161,929
Reserves	2,318,250	2,058,553
	2,505,803	2,220,482
Non-controlling interests	18,279	24,778
Total equity	2,524,082	2,245,260

NOTES TO RESULTS

31 March 2018

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 2018. 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 revised HKFRSs for the first time for the current year's financial information:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities: Clarification of</i>
included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>the Scope of HKFRS 12</i>

Other than as explained below regarding the impact of HKAS 7 and HKAS 12, the adoption of the above revised standards has had no significant financial effect on this financial information.

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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 assets leasing – development and sale of properties and leasing of assets
- 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, 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.

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

For the year ended 31 March 2018

	Construction work <i>HK\$'000</i>	Property development and assets leasing <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>7,679,501</u>	<u>3,601</u>	<u>547,953</u>	<u>8,231,055</u>
Segment results	<u>116,336</u>	<u>197,707</u>	<u>26,662</u>	<u>340,705</u>
Interest income				15,827
Corporate and other unallocated expenses				(59,494)
Finance costs				<u>(66,838)</u>
Profit before tax				230,200
Income tax				<u>(66,523)</u>
Profit for the year				<u>163,677</u>
Other segment information:				
Share of profit of a joint venture	797	—	—	797
Share of profits and losses of associates	—	4,129	—	4,129
Depreciation	(36,460)	(6,236)	(2,003)	(44,699)
Fair value gain of investment properties, net	—	261,900	—	261,900
Loss on disposal of items of property, plant and equipment, net	(416)	(49)	(205)	(670)
Impairment of items of property, plant and equipment	<u>—</u>	<u>(10,000)</u>	<u>—</u>	<u>(10,000)</u>

For the year ended 31 March 2017

	Construction work <i>HK\$'000</i>	Property development and assets leasing <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>8,308,549</u>	<u>17,389</u>	<u>484,859</u>	<u>8,810,797</u>
Segment results	<u>149,203</u>	<u>123,389</u>	<u>15,772</u>	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				<u>(56,726)</u>
Profit before tax				235,947
Income tax				<u>(30,126)</u>
Profit for the year				<u>205,821</u>
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	<u>5,193</u>	<u>68</u>	<u>(38)</u>	<u>5,223</u>

Segment assets and liabilities

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

Geographical information

(a) Revenue from external customers

	2018 HK\$'000	2017 HK\$'000
Hong Kong	8,092,338	8,693,874
Macau	84,815	75,398
Mainland China	1,800	8,951
The United Arab Emirates	974	1,215
Other jurisdictions	51,128	31,359
	<u>8,231,055</u>	<u>8,810,797</u>

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

(b) Non-current assets

	2018 HK\$'000	2017 HK\$'000
Hong Kong	569,192	1,097,912
The United States of America (the "USA")	313,993	313,993
Mainland China	4,116	5,741
Other jurisdictions	83,051	106,243
	<u>970,352</u>	<u>1,523,889</u>

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 external customers which individually contributed more than 10% of the Group's revenue for the years ended 31 March 2018 and 2017 is set out below:

	2018 HK\$'000	2017 HK\$'000
Customer A:		
Contribution to construction work segment	5,289,650	4,880,336
Contribution to professional services segment	2,709	24,556
	<u>5,292,359</u>	<u>4,904,892</u>
Customer B:		
Contribution to construction work segment	N/A*	843,550
Contribution to professional services segment	N/A*	289,696
	<u>N/A*</u>	<u>1,133,246</u>

* The corresponding revenue of the customer is not disclosed as it did not contribute more than 10% of the Group's total revenue for the year ended 31 March 2018.

4. FAIR VALUE GAIN OF INVESTMENT PROPERTIES, NET

The net fair value gain of investment properties of HK\$262 million recognised during the year was mainly due to disposal of the Group's property interest located at Waterloo Road, Ho Man Tin. All sale proceeds were received during the year.

5. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on:		
Bank and other borrowings	81,445	70,666
Unsecured bond payable to the ultimate holding company	–	198
Hire purchase contract and finance lease payables	679	1,285
Convertible bonds	11,725	788
Guaranteed bonds	2,417	–
	<u>96,266</u>	<u>72,937</u>
Imputed interest on:		
Convertible bonds	15,420	34,887
Interest-free loans from a non-controlling equity holder of a subsidiary	6,781	815
	<u>22,201</u>	<u>35,702</u>
Total interest expenses	118,467	108,639
Amortisation of ancillary costs incurred in connection with the arrangement of bank loans	6,607	4,050
Total finance costs	125,074	112,689
Less: Amount included in cost of construction work	(12,433)	(21,547)
Amount capitalised in properties under development	(15,132)	(6,571)
Amount capitalised in an investment property under construction	(30,671)	(27,845)
	<u>66,838</u>	<u>56,726</u>

6. PROFIT BEFORE TAX

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

	2018 HK\$'000	2017 HK\$'000
Cost of construction work	7,312,822	7,889,759
Cost of construction-related consultancy services provided	37,223	20,631
Cost of properties sold	1,800	7,056
Direct operating expenses (including repairs and maintenance) arising on rental-earning assets	14,489	1,527
Cost of security and facility management solutions services provided	480,007	431,081
Depreciation	44,699	49,040
Less: Amount included in cost of construction work	(29,809)	(41,751)
	<u>14,890</u>	<u>7,289</u>
Loss/(gain) on disposal of items of property, plant and equipment, net	<u>670</u>	<u>(5,223)</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	44,751	26,436
(Over)/under-provision in prior years	<u>(2,192)</u>	<u>613</u>
	<u>42,559</u>	<u>27,049</u>
Current – Mainland China		
Charge for the year	808	4,750
Withholding tax on dividend distributed (<i>note</i>)	23,806	–
Under-provision in prior years	<u>649</u>	<u>–</u>
	<u>25,263</u>	<u>4,750</u>
Current – Elsewhere		
Charge for the year	2,262	2,196
Over-provision in prior years	<u>(5,054)</u>	<u>–</u>
	<u>(2,792)</u>	<u>2,196</u>
Deferred	<u>1,493</u>	<u>(3,869)</u>
Total tax expense for the year	<u><u>66,523</u></u>	<u><u>30,126</u></u>

Note: Amount represents withholding tax of the People's Republic of China levied at the rate of 10% on dividend income of HK\$238 million distributed by two subsidiaries of the Company established in Mainland China during the year.

8. DIVIDEND

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim – HK1.23 cents (2017: Nil) per ordinary share	23,069	–
Proposed final – HK1.09 cents (2017: HK3.8 cents) per ordinary share	<u>20,443</u>	<u>61,533</u>
	<u><u>43,512</u></u>	<u><u>61,533</u></u>

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

9. 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 less treasury shares held by the Company in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 March 2018 is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been awarded at no consideration on the deemed exercise of all rights of shares held under the Company's share award scheme. The share options of the Company outstanding during the year has no diluting effect on the basic earnings per share amounts presented.

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 during the prior year had an anti-dilutive effect on the basic earnings per share amount presented.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<u>150,176</u>	<u>205,506</u>
	2018	2017
Number of shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,701,591,975	1,508,449,313
Effect of dilution of shares held under the share award scheme – weighted average number of ordinary shares	<u>4,353,098</u>	<u>—</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,705,945,073</u>	<u>1,508,449,313</u>

10. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables other than retention receivables	1,128,938	1,032,439
Retention receivables	539,234	484,288
	<u>1,668,172</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:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	998,857	902,579
1 to 2 months	64,730	64,734
2 to 3 months	15,892	17,271
Over 3 months	49,459	47,855
	<u>1,128,938</u>	<u>1,032,439</u>

11. SALES DEPOSITS RECEIVED HELD IN AN ESCROW ACCOUNT/SALES DEPOSITS RECEIVED FOR SALE OF A PROPERTY INTEREST

Amount was a deposit received from an independent third party for the sale of a property interest in the “T PLUS”, a residential property located at No. 2 Tsing Min Path, Tuen Mun (the “T PLUS”), at a cash consideration of HK\$1,239 million in accordance with a provisional agreement for sale and purchase (the “Agreement”) entered on 19 June 2017. The balance represented 40% of the consideration received for the 60% property interest shared by the Group. Pursuant to the Agreement, whole deposit payments received are held in an escrow account and can only be applied for payment of construction cost and professional fees in connection with the T PLUS. The sale transaction will be completed upon, amongst other things, the completion of the construction of the T PLUS, which was still under development as at 31 March 2018.

12. TRADE PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables other than retention payables	915,321	1,032,196
Retention payables	604,453	556,918
	<u>1,519,774</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:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	558,920	615,846
1 to 2 months	111,492	213,921
2 to 3 months	88,366	63,443
Over 3 months	156,543	138,986
	<u>915,321</u>	<u>1,032,196</u>

13. 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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Indemnities issued to financial institutions for performance bonds in respect of construction and professional services contracts undertaken by:		
– subsidiaries	1,032,206	990,913
– joint operations	165,766	275,152
– a joint venture	40,446	–
	<u>1,238,418</u>	<u>1,266,065</u>
Guarantees issued to financial institutions to secure credit facilities granted to an associate (<i>note (ii)</i>)	935,390	290,900
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	<u>103,144</u>	<u>126,631</u>
	<u><u>2,276,952</u></u>	<u><u>1,683,596</u></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 consolidated statement of financial position in respect of these financial guarantee contracts.
- (ii) At 31 March 2018, the banking facilities guaranteed by the Group to an associate were utilised to the extent of HK\$490,980,000 (2017: HK\$110,530,000). The other shareholder of an associate provides to the Group counter-guarantee in respect of the amount of banking facilities in excess of the Group's pro rata share based on the Group's equity interest in an associate.

(b) Litigations

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 cases will be tried before a Judge at the High Court Building, No. 38 Queensway, Hong Kong on 10 December 2019 and hearing dates of 10 to 23 December 2019 are reserved. The pre-trial review is scheduled to be heard on 3 September 2019.

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.

14. PLEDGE 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:

	2018 HK\$’000	2017 HK\$’000
Property, plant and equipment	20,675	22,405
Investment property under construction	–	840,000
Properties under development	667,994	398,437
Bank deposits	30,405	45,125
	719,074	1,305,967

In addition to the above, as at 31 March 2018 and 2017, the Group has pledged the equity interest in a non-wholly-owned subsidiary to secure a banking facility granted to the Group.

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 2018, the total net debts of the Group amounted to approximately HK\$749.6 million, representing total debts of approximately HK\$2,766.8 million less total of cash and bank balances of approximately HK\$2,017.2 million. The debt maturity profile, based on scheduled repayment dates set out in loan agreements of the Group at 31 March 2018, is analysed as follows:

	As at 31 March 2018 <i>HK\$ million</i>	As at 31 March 2017 <i>HK\$ million</i>
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	2,677.5	2,477.6
After one year, but within two years		
– On demand shown under current liabilities	37.5	442.1
– Remaining balances	5.9	11.4
After two years, but within five years		
– On demand shown under current liabilities	1.3	32.8
– Remaining balances	1.6	7.2
Over five years	4.0	3.9
	<u>2,727.8</u>	<u>2,975.0</u>
Guaranteed bonds		
– Repayable within one year	39.0	–
– Repayable after one year, but within two years	–	39.0
Convertible bonds		
– Repayable within one year	–	217.8
	<u>–</u>	<u>217.8</u>
Total debts	<u>2,766.8</u>	<u>3,231.8</u>

At 31 March 2018, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company, was 0.30 (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 14 to the results.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 13 to the results.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 6,810 employees as at 31 March 2018. Total remuneration of employees for the year ended 31 March 2018 (the “Year”) amounted to approximately HK\$1,833.6 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 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 (the “Shareholders”) 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 of 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.

In addition, the Company had also adopted a share option scheme (the “Share Option Scheme”), under which the Directors are authorised to grant share options to the eligible participants to subscribe for shares of the Company for the purpose of, among other things, providing incentives and rewards to, and recognising the contributions of, the eligible participants. The Share Option Scheme is valid and effective for a period of 10 years commencing on 3 September 2012.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK1.09 cents per share for the Year (the “Final Dividend”) (2016/17: HK3.8 cents), amounting to approximately HK\$20.4 million (2016/17: HK\$61.5 million), to the Shareholders whose names appear on the register of members of the Company on 3 September 2018. The proposed Final Dividend will be paid on 18 September 2018 subject to approval by the Shareholders at the forthcoming annual general meeting (the “AGM”). Together with the interim dividend of HK1.23 cents per share paid in January 2018, the proposed Final Dividend will result in a full-year dividend of HK2.32 cents for the Year per share (2016/17: HK3.8 cents).

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 Tuesday, 21 August 2018 to Friday, 24 August 2018 (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 Monday, 20 August 2018.

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 Thursday, 30 August 2018 to Monday, 3 September 2018 (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 Wednesday, 29 August 2018.

BUSINESS REVIEW

The Group has continued to perform stably during the Year. It recorded a total revenue of HK\$8.23 billion (2017: HK\$8.81 billion) and net profit attributable to Shareholders of HK\$150 million (2017: HK\$206 million) for the Year. The Company's net asset value per share amounted to HK\$1.35 as at 31 March 2018 (2017: HK\$1.39).

Construction

The construction segment, which is mainly operated under the renowned "Chun Wo" brand, represents the principal business of the Group. Consistent with this stature, the construction segment has continued to be the chief revenue contributor of the Group, generating a revenue of HK\$7.68 billion (2017: HK\$8.31 billion), with segmental profit totalling HK\$116.3 million (2017: HK\$149.2 million) for the Year. As at 31 March 2018, the total value of contracts held by the Group amounted to HK\$28.85 billion, of which the projects of HK\$12.24 billion in contracts were ongoing.

Competition remained intense in the construction segment, which consequently placed pressure on profit margins. The slow funding approval process for public works projects resulting from political concerns continued to bring challenges. However, there is a sign of gentle decline in labour costs by the fact that many existing large-scale infrastructure projects are nearing completion. Moreover, there is partial relief in the form of public and private housing, with the Hong Kong Government continuing to release land to satisfy strong demand, thereby creating more building opportunity for the construction segment.

As at the Year, the Group has been awarded 12 new projects. Among the significant projects won include construction of Hong Kong International Airport – Terminal 2 Foundation and Structure Works, Public Rental Housing Redevelopment at Pak Tin Estate in Shek Kip Mei, and Tseung Kwan O – Lam Tin Tunnel – Tseung Kwan O Interchange and Associated Works.

The Group has 27 projects that were ongoing as at the Year, most of which involve a high degree of technical expertise and world-class construction capabilities. Among the significant projects that are under development include the Central-Wan Chai Bypass: Tunnel (North Point Section) and the Island Eastern Corridor Link, and Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works. The Group has also completed 11 projects during the Year, including Handling of Surplus Public Fill, Happy Valley Underground Stormwater Storage Scheme, and Trackwork and Overhead Line System of Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section).

The Group has taken to seize opportunities from the “Belt and Road” initiative, it has secured a contract with Manila Water Company, through a jointly formed company with two third parties which will be involved in the designing and constructing of water conveying facilities in the Philippines.

The Group also acquired Ng Kam Kee Construction Company Limited in October 2017. Besides gaining access to the Macau market, the exercise has enabled the Group to establish an important stepping stone for tapping the Guangdong-Hong Kong-Macao Bay Area (the “Greater Bay Area”).

Property Development and Assets Leasing

The property development and assets leasing segment contributed a profit of HK\$197.7 million (2017: HK\$123.4 million) for the Year.

During the Year, the Hong Kong property market has remained bullish, driven by aggressive purchasing from the general public. As a consequence, government auctions saw fierce bidding that resulted in record-breaking transactions for land parcels. In the face of such a highly charged atmosphere, the Group has sought to prudently refine its property portfolio. Correspondingly, it has elected to dispose of the Group’s interest in the “T PLUS” residential property located at No. 2 Tsing Min Path, Tuen Mun, which is expected to generate favourable returns. Furthermore, recognising the importance of establishing strategic ties to minimise risk, the Group will co-develop with a strategic partner the premium residential property located at Waterloo Road, Ho Man Tin. Separately, the Group expected to commence construction of a residential project at Tung Chung Road, Lantau Island, by the mid of 2019.

In respect of the Group’s properties and land in Shijiazhuang City, the People’s Republic of China (the “PRC”), the Group is continuing negotiation with a third party on their possible disposal.

Professional Services

City Services Group Limited (“City Services”) has been operating the Group’s security and facility management business for years. The business segment continued to deliver encouraging results, generating revenue of HK\$548.0 million (2017: HK\$484.9 million), and segmental profit of HK\$26.7 million (2017: HK\$15.8 million) for the Year.

Indicative of the high level of professionalism in which the business conducts its services, the segment has been able to renew a number of contracts with key clients. Just as importantly, City Services has been awarded several new contracts, including a property management contract for Elegance House in North Point, security contracts with Hong Kong Baptist University and HGC GlobalCentre Limited, a security and car park management contract with the Hospital Authority – Kowloon East Cluster, and a residential security contract for Ocean Shores in Tiu Keng Leng.

Other Business

The Group is committed to diversifying its income streams, and this is clearly illustrated by the variety of new businesses that it is engaged in. Though some were in their early stages of development, all possess favourable growth potential, are able to provide the Group with invaluable experiences. As at the Year, this dynamic cluster includes the provision of upscale safe deposit box services, operation of an online building materials procurement platform, and the provision of construction financing services.

Upon the winning of contracts to manage four more tunnels subsequent to the financial year end, the Group will be managing a total of five tunnels in Hong Kong, namely the Cross-Harbour Tunnel, the Shing Mun Tunnels, the Tseung Kwan O Tunnel, the Kai Tak Tunnel and the Lion Rock Tunnel, which is approximately 40% shares in Hong Kong tunnel management market.

During the Year, the Group has entered into a Memorandum of Understanding (the “MOU”) with Guangzhou Nansha Development Zone and Guangzhou Industrial Investment Fund Management Co., Ltd. (“Guangzhou Fund”) with the objective of providing education, medical and elderly care services and housing in the Nansha New Area, which is located in the heart of the Greater Bay Area. Given that the Greater Bay Area along the “Belt and Road” route is set to become an integrated financial and technology hub of southern China, the MOU holds tremendous significance for the Group’s future development.

OUTLOOK AND PROSPECTS

Construction

The Group remains cautiously optimistic about the construction sector in Hong Kong in the coming years. Such optimism is based on ongoing and strong demand for both public and private housing, which, in respect of the former, will encourage the Hong Kong Government to continue augmenting land supply as well as accelerating development of land, public housing and public rental housing, all of which will bode well for the Group. As for private housing, resilient demand will embolden developers to introduce more projects, thereby creating even greater opportunities.

The Group will continue to invest in reputable construction related companies in Asia, export its project management know-how and transferable skills to facilitate its involvement in large-scale projects in the region and examine acquisition and partnership opportunities to increase its participation and major infrastructure developments. The Group’s holistic approach will become a part of regional force.

Property Development and Assets Leasing

The bullishness of Hong Kong property price invariably raises concerns about the market entering a bubble, the Group will choose to err on the side of caution looking for property development opportunities that result in long term income. It will also seek to establish joint ventures so as to allow the Group to optimally use its working capital. Correspondingly, the Group has established a joint venture with a third party subsequent to the Year, which acquired a property located on Cameron Road, Tsim Sha Tsui. The property will be redeveloped into either a Ginza type commercial building or a serviced apartment building, hence the Group will be able to derive diverse revenues from the investment.

Professional Services

To encourage the ongoing development of City Services, the Group has continued to consider with proceedings to spin it off and separately list on the Stock Exchange.

Other Business

The Group's various new business interests have continued to follow their own distinct phases of development. While the Group will seek to expedite such development so as to increase their contributions, it will also capitalise on the expertise and experience gained from these businesses to seize opportunities in Hong Kong and across the region as they arise.

With the arrival of SFund International Investment Fund Management Limited ("SFund International") as a strategic Shareholder, the Group will leverage the two parties' strengths to explore opportunities that emerge from the Greater Bay Area, particularly in the aspects of education, medical and elderly care services and housing. SFund International, together with the efforts from Guangzhou Fund, the parent company of it, will be partnering with the Group in establishing an international education base in Nansha New Area, centrally located in the Greater Bay Area.

Overview

In the year ahead, the Group will maintain its mission to seize long-term property development opportunities, whether directly or through joint ventures. It will also continue broadening its income streams via new business developments.

In the PRC, the Group will be working closely with Guangzhou Nansha Development Zone and Guangzhou Fund in establishing an international education base in the Nansha New Area that is the initial objective of the alliance. From this important first step, the Group will pursue the parties' directive of also providing education, medical and elderly care services and housing principally in the Greater Bay Area.

Maintaining a sustainable and healthy financial position has also been one of the Group's key corporate objectives. With syndicated loan facilities of HK\$2.05 billion concluded during the Year, the Group was able to enhance its financial flexibility and funding capability, as well as enable the Group to accelerate its business expansion.

Alongside efforts to gain a foothold in the Greater Bay Area, the Group will exploit its half-century of experience, solid reputation, experienced management team and dedicated staff to strengthen its regional presence, particularly in countries along the "Belt and Road" route. In this way, the Group will evolve into a leading multinational enterprise that is truly an ally to companies across Asia.

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.

During the Year, 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 21,830,000 shares of the Company at a total consideration of approximately HK\$18,197,000 in accordance with the rules and trust deed of such scheme.

CORPORATE GOVERNANCE PRACTICES

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 Year.

Further information of the Company’s corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company’s 2017/18 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 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 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 2018 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, 27 June 2018

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, Madam Li Wai Hang, Christina and Madam Han Li, 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.