亞洲聯合基建控股有限公司
ASIA ALLIED INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 00711.HK)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Total revenue	**3,201,545**	3,847,368
Profit attributable to shareholders of the Company	**84,541**	71,291
Basic earnings per share	**HK4.55 cents**	HK4.42 cents
Dividend per share	**HK1.26 cents**	HK1.23 cents

INTERIM RESULTS

The Board of Directors (the "Board" or the "Directors") of Asia Allied Infrastructure Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018, together with the relevant comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**3,201,545**	3,847,368
Cost of sales		**(3,049,256)**	(3,551,105)
Gross profit		**152,289**	296,263
Other income and gains, net		**292,374**	75,300
Selling expenses		**(19,240)**	(3,100)
Administrative expenses		**(216,638)**	(192,952)
Other expenses, net		**(34,365)**	(3,496)
Finance costs	*4*	**(46,594)**	(28,469)
Share of profit of a joint venture		**4,190**	–
Share of profits and losses of associates		**(158)**	1,811
PROFIT BEFORE TAX	*5*	**131,858**	145,357
Income tax	*6*	**(45,598)**	(60,050)
PROFIT FOR THE PERIOD		**86,260**	85,307
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Translation of foreign operations		**(53,198)**	27,561
Share of movement in exchange fluctuation reserve of a joint venture		**(382)**	–
Share of movements in exchange fluctuation reserves of associates		**(315)**	150
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		**(53,895)**	27,711
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**32,365**	113,018

	Note	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		**84,541**	71,291
Non-controlling interests		**1,719**	14,016
		86,260	85,307
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		**30,646**	99,002
Non-controlling interests		**1,719**	14,016
		32,365	113,018
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
Basic		HK **4.55 cents**	HK 4.42 cents
Diluted		HK **4.55 cents**	HK 4.41 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**254,888**	256,896
Investment properties		**3,303**	14,263
Goodwill		**45,447**	47,561
Investments in joint ventures		**416,462**	315,104
Investments in associates		**465,597**	384,089
Deferred tax assets		**1,561**	6,775
Total non-current assets		**1,187,258**	1,024,688
CURRENT ASSETS			
Land held for property development		**525,284**	550,103
Properties under development		**–**	667,994
Properties held for sale		**2,743**	6,651
Amounts due from contract customers		**–**	1,966,743
Trade receivables	*9*	**1,096,408**	1,668,172
Contract assets	*10*	**2,571,891**	–
Prepayments, deposits and other receivables		**711,491**	572,387
Sales deposits received held in an escrow account		**–**	144,093
Income tax recoverables		**9,011**	10,859
Equity investments at fair value through profit or loss		**65**	80
Restricted cash and pledged deposits		**16,888**	37,330
Cash and cash equivalents		**1,614,154**	1,979,852
Total current assets		**6,547,935**	7,604,264

	Note	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
CURRENT LIABILITIES			
Amounts due to contract customers		**–**	796,012
Trade payables	*11*	**1,433,569**	1,519,774
Other payables and accruals		**470,232**	480,480
Sales deposits received for sale of a property interest		**–**	297,360
Contract liabilities		**775,756**	–
Bank borrowings		**536,739**	2,705,454
Guaranteed bonds		**39,000**	39,000
Hire purchase contract and finance lease payables		**8,628**	10,838
Income tax payables		**118,503**	80,048
Total current liabilities		**3,382,427**	5,928,966
NET CURRENT ASSETS		**3,165,508**	1,675,298
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,352,766**	2,699,986
NON-CURRENT LIABILITIES			
Other payables		**–**	147,603
Bank borrowings		**1,889,574**	5,515
Hire purchase contract and finance lease payables		**2,321**	5,969
Deferred tax liabilities		**10,866**	16,817
Total non-current liabilities		**1,902,761**	175,904
Net assets		**2,450,005**	2,524,082
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**187,386**	187,553
Reserves		**2,237,954**	2,318,250
		2,425,340	2,505,803
Non-controlling interests		**24,665**	18,279
Total equity		**2,450,005**	2,524,082

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018 (Unaudited)

1 BASIS OF PREPARATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information has been prepared on the historical cost basis, except for investment properties and equity investments at fair value through profit or loss which have been measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's condensed consolidated interim financial information:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the unaudited condensed consolidated interim financial information.

The nature and the impact of the changes are described below:

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 with the initial application date of 1 April 2018. The Group has elected not to adjust the comparative information for the period beginning on 1 April 2017 and as at 31 March 2018, which was prepared under classification and measurement requirements of HKAS 39. The impacts relating to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

– Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and applied to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

(ii) Impairment

HKFRS 9 requires an impairment on trades receivables, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables. The Group applied general approach and recorded twelve-month expected losses on its deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted HKFRS 15 using the modified retrospective method.

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

The Group was principally involved in provision of various construction services, development and sales of properties and leasing of assets, and provision of security and facility management solutions.

Regarding the impacts arising from the adoption of HKFRS 15 on the Group's construction revenue, the Group specifically consider HKFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to customers and timing of related payments. The Group have assessed that as performance obligation is satisfied over time therefore revenue from these construction contracts should be recognised over time during the course of construction by the Group.

Except for the revenue from terms contracts is recognised over time under input method, other construction contracts is recognised over time under output method. The progress towards complete satisfaction of a performance obligation of construction contracts is measured with reference to the certificates issued by the internal or external surveyors on the performance or work completed to date. Costs incurred at the initial stage that generate or enhance resources to be utilised subsequently in fulfilling the performance obligation will be recognised as contract costs to be amortised on a systematic basis with the transfer to the customer of the services to which assets relates, while contract costs that related to satisfy performance obligations are expensed as incurred.

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 April 2018.

	Impact of adopting HKFRS 15 at 1 April 2018 (Unaudited) *HK$'000*
Retained profits	
Adjustments of amounts due from/(to) contract customers	(83,395)
Tax effect	2,715
Impact at 1 April 2018	(80,680)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 (Audited) *HK$'000*	**Reclassification** (Unaudited) *HK$'000*	**Remeasurement** (Unaudited) *HK$'000*	**Carrying amounts under HKFRS 15 at 1 April 2018** (Unaudited) *HK$'000*
Current assets				
Amounts due from contract customers	1,966,743	(1,884,624)	(82,119)	–
Trade receivables	1,668,172	(539,234)	–	1,128,938
Contract assets	–	2,423,858	–	2,423,858
Current liabilities				
Amounts due to contract customers	796,012	(797,288)	1,276	–
Other payables and accruals	480,480	(1,935)	–	478,545
Sales deposits received for sale of a property interest	297,360	(297,360)	–	–
Contract liabilities	–	1,096,583	–	1,096,583
Non-current liabilities				
Deferred tax liabilities	16,817	–	(2,715)	14,102
Other payables	147,603	(421)	–	147,182
Contract liabilities	–	421	–	421
Equity				
Retained profits	1,465,266	–	(80,680)	1,384,586

Regarding the revenue arising from the development and sale of properties, the Group has assessed that, based on the terms of the sale agreements entered into between the Group and customers, the Group does not have an enforceable right to payment for performance completed to date. Accordingly, the criteria set out in HKFRS 15 for recognising revenue over time are not met for the sale of properties. On account of this, the Group continues to recognise the sale of properties until the point in time at which the Group delivers the properties to the customers.

Regarding the revenue arising from the provision of security and facility management solutions, the current accounting policy for revenue recognition of the service income over time when services are provided is still an appropriate method under HKFRS 15.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3 OPERATING SEGMENT INFORMATION

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

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

- Construction work – provision of services in areas of civil engineering, electrical and mechanical engineering, foundation and building construction
- Property development and 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, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

For the six months ended 30 September 2018

	Construction work (Unaudited) *HK$'000*	**Property development and assets leasing (Unaudited)** *HK$'000*	**Professional services (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Segment revenue:				
Sales to external customers	**2,847,394**	**4,314**	**349,837**	**3,201,545**
Segment results	**35,070**	**156,288**	**11,481**	**202,839**
Interest income				**13,370**
Corporate and other unallocated expenses				**(37,757)**
Finance costs				**(46,594)**
Profit before tax				**131,858**
Income tax				**(45,598)**
Profit for the period				**86,260**
Other segment information:				
Share of profit of a joint venture	**4,190**	**–**	**–**	**4,190**
Share of loss of an associate	**–**	**(158)**	**–**	**(158)**
Depreciation	**(16,850)**	**(3,975)**	**(1,860)**	**(22,685)**
Fair value loss of investment properties, net	**–**	**(158)**	**–**	**(158)**
Gains on disposal of items of property, plant and equipment, net	**689**	**–**	**15**	**704**

For the six months ended 30 September 2017

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

Segment assets and liabilities

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

Information about major customers

A summary of revenue earned from two external customers (six months ended 30 September 2017: one external customer) which individually contributed more than 10% of the Group's revenue for each of the periods ended 30 September 2018 and 2017 is set out below:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A:		
Contribution to construction work segment	**1,882,435**	2,452,571
Contribution to professional services segment	**88,840**	1,339
	1,971,275	2,453,910
Customer B:		
Contribution to construction work segment	**319,088**	N/A*
Contribution to professional services segment	**1,493**	N/A*
	320,581	N/A*

* The corresponding revenue of this customer is not disclosed as it did not contribute more than 10% of the Group's total revenue for the period ended 30 September 2017.

4 FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on:		
Bank and other borrowings	**45,864**	38,099
Hire purchase contract and finance lease payables	**257**	347
Guaranteed bonds	**1,173**	1,247
	47,294	39,693
Imputed interest on:		
Convertible bonds	**–**	23,171
Interest-free loans from a non-controlling equity holder of a subsidiary	**2,035**	1,478
	2,035	24,649
Total interest expenses	**49,329**	64,342
Amortisation of ancillary costs incurred in connection with the arrangement of bank loans	**8,222**	2,025
Total finance costs	**57,551**	66,367
Less: Amount included in cost of construction work	**(3,491)**	(6,935)
Amount capitalised in properties under development	**(7,466)**	(5,338)
Amount capitalised in an investment property under construction	**–**	(25,625)
	46,594	28,469

5 PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of construction work	**2,706,305**	3,290,898
Cost of construction-related consultancy services provided	**12,446**	20,982
Cost of properties sold	**3,555**	1,757
Direct operating expenses (including repairs and maintenance) arising on rental-earning assets	**8,425**	140
Cost of security and facility management solutions services provided	**318,525**	237,328
Depreciation	**22,685**	21,458
Less: Amount included in cost of construction work	**(13,175)**	(14,715)
	9,510	6,743
Share award expense	**1,381**	700
Equity-settled share option expense	**4,192**	–

6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**45,459**	41,042
Mainland China	**10**	20,291
Elsewhere	**2,208**	1,911
Over-provision in prior years:		
Mainland China	**(149)**	–
Elsewhere	**(42)**	(4,227)
Deferred	**(1,888)**	1,033
Total tax expense for the period	**45,598**	60,050

7 DIVIDEND

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend recognised as distribution during the period in respect of 2018 of HK1.09 cents (2017:HK3.8 cents) per ordinary share	**20,425**	61,533
Interim dividend declared in respect of six months ended 30 September 2018 of HK1.26 cents (six months ended 30 September 2017: HK1.23 cents) per ordinary share	**23,479**	21,241
	43,904	82,774

8 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company and the weighted average shares in issue during the period less shares held under the share award scheme of the Company and treasury shares.

The calculation of the diluted earnings per share amount for the period ended 30 September 2018 is based on the profit for the period 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 awarded at no consideration on the exercise of all rights of shares held under the Company's share award scheme. The share options of the Company outstanding during the period has no diluting effect on the basic earnings per share amount presented.

In respect of the diluted earnings per share amount for the period ended 30 September 2017, the calculation of the diluted earnings per share amount is based on the profit for the period attributable to shareholders of the Company, and the weighted average number of ordinary shares 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 calculation of the basic and diluted earnings per share amounts is based on the following data:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	**84,541**	71,291

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period less the shares held under the share award scheme and treasury shares, used in the basic earnings per share calculation	**1,856,035,934**	1,614,743,153
Effect of dilution of shares held under the share award scheme – weighted average number of ordinary shares	**3,728,264**	1,820,342
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,859,764,198**	1,616,563,495

9 TRADE RECEIVABLES

	30 September 2018	31 March 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables other than retention receivables	**1,096,408**	1,128,938
Retention receivables	**–**	539,234
	1,096,408	1,668,172

Except for the rental income from leasing of assets which are settled 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 ageing analysis of the trade receivables (other than retention receivables) as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018	31 March 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**940,826**	998,857
1 to 2 months	**39,141**	64,730
2 to 3 months	**26,595**	15,892
Over 3 months	**89,846**	49,459
	1,096,408	1,128,938

10 CONTRACT ASSETS

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Unbilled revenue	**2,020,964**	–
Retention receivables	**550,927**	–
	2,571,891	–

11 TRADE PAYABLES

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Trade payables other than retention payables	**790,004**	915,321
Retention payables	**643,565**	604,453
	1,433,569	1,519,774

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

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

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Within 1 month	**385,320**	558,920
1 to 2 months	**48,857**	111,492
2 to 3 months	**80,707**	88,366
Over 3 months	**275,120**	156,543
	790,004	915,321

12 CONTINGENT LIABILITIES

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

(a) Corporate guarantees and performance bonds given

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Indemnities issued to financial institutions for performance bonds in respect of construction and professional services contracts undertaken by:		
– subsidiaries	**1,059,806**	1,032,206
– joint operations	**162,024**	165,766
– a joint venture	**40,446**	40,446
	1,262,276	1,238,418
Guarantees issued to financial institutions to secure credit facilities granted to associates and a joint venture *(note (ii))*	**1,210,530**	935,390
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	**94,088**	103,144
	2,566,894	2,276,952

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

Notes:

(i) In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the condensed consolidated statement of financial position in respect of these financial guarantee contracts.

(ii) At 30 September 2018, the banking facilities granted to associates and a joint venture and guaranteed by the Group were utilised to the extent of HK$589,260,000 (31 March 2018: HK$490,980,000). The other shareholder of an associate provides to the Group a 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 (the "Subsidiary") and the Company, respectively, alleging that the Subsidiary's 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 against the Subsidiary and the Company for the loss of capital appreciation of the Properties for the breach of a memorandum entered into between the plaintiff and the Subsidiary in September 2013.

Both the plaintiff and the defendant have completed the stages of disclosure, preparation of witness statements and valuation expert reports as at 4 November 2013 and 6 December 2013. A further valuation expert report as at 20 November 2018 is being prepared as per the request by the judge during the 1st pre-trial review on 26 September 2018. The 2nd pre-trial review is fixed on 3 December 2018.

The above two cases will be heard together before a Judge at the High Court Building, No. 38 Queensway, Hong Kong between 15 January 2019 and 30 January 2019.

Based on the existing legal documents after having performed management's internal critical assessment of the aforesaid cases and seeking advice from an independent legal advisor, the Directors 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 on the Group is expected.

Besides, in or about April 2014, another plaintiff commenced legal proceedings against the Subsidiary alleging that the Subsidiary's 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.

Both the plaintiff and the defendant have completed the stages of disclosure, preparation of witness statements. The pre-trial review is fixed on 3 September 2019.

The above case will be heard before a Judge at the High Court Building, No. 38 Queensway, Hong Kong between 10 December 2019 and 23 December 2019.

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

13 PLEDGE OF ASSETS

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

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Property, plant and equipment	**19,295**	20,675
Properties under development	**–**	667,994
Bank deposits	**10,738**	30,405
	30,033	719,074

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

As at 30 September 2018, certain of the Group's bank borrowings in the total amount of HK$5,450,000 (31 March 2018: HK$6,338,000) were guaranteed by the non-controlling equity holders of a subsidiary.

LIQUIDITY AND FINANCIAL RESOURCES

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

At 30 September 2018, the total net debts of the Group amounted to approximately HK$845.2 million, representing total debts of approximately HK$2,476.3 million less total of cash and bank balances of approximately HK$1,631.1 million. The debt maturity profile, based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2018, is analysed as follows:

	As at 30 September 2018 (Unaudited) *HK$ million*	As at 31 March 2018 (Audited) *HK$ million*
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	**532.4**	2,677.5
After one year, but within two years		
– On demand shown under current liabilities	**13.0**	37.5
– Remaining balances	**486.5**	5.9
After two years, but within five years		
– On demand shown under current liabilities	**–**	1.3
– Remaining balances	**1,401.8**	1.6
Over five years	**3.6**	4.0
	2,437.3	2,727.8
Guaranteed bonds		
– Repayable within one year	**39.0**	39.0
Total debts	**2,476.3**	2,766.8

The Group has continued to implement a prudent financial management policy, at 30 September 2018, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company, was 0.35 (31 March 2018: 0.30). The current ratio of the Group is increased by 52% to 1.94 (31 March 2018: 1.28), reflecting a healthy financial position to finance its operation.

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 13 to the condensed consolidated interim financial information contained in this announcement.

CONTINGENT LIABILITIES

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

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 6,700 employees as at 30 September 2018. Total remuneration of employees for the six months ended 30 September 2018 amounted to approximately HK$972.4 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.26 cents per share for the six months ended 30 September 2018 (the "Interim Dividend") (six months ended 30 September 2017: HK1.23 cents), amounting to approximately HK$23.5 million (six months ended 30 September 2017: HK$21.2 million), to the Shareholders whose names appear on the register of members of the Company on 18 December 2018. The Interim Dividend will be paid on 4 January 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the Interim Dividend, the register of members of the Company will be closed from Friday, 14 December 2018 to Tuesday, 18 December 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 Interim Dividend, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 December 2018.

BUSINESS REVIEW

The Group recorded a revenue amounting to HK$3.20 billion for the six months ended 30 September 2018 (the "Review Period"). Net profit attributable to the Shareholders amounted to HK$84.5 million, an increase of 18.6% year-on-year. Despite the lacklustre conditions, the Group has continued to look for opportunities arising from Guangdong-Hong Kong-Macao Bay Area (the "Greater Bay Area") development plan. The Group has also capitalised on opportunities in Hong Kong, as evidenced by the awarding of various government infrastructure projects and tunnel management contracts. In addition to such developments, the Group has sought to further diversify and expand its business interests both locally and regionally.

Construction

During the Review Period, the construction operation contributed a revenue of HK$2.85 billion to the Group, and achieved a segment profit of HK$35.1 million. The total value of contracts on hand amounted to HK$28.42 billion, of which HK$12.30 billion worth of contracts were ongoing.

Among the major projects that are proceeding include the Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works – Contract 3; Construction of Public Rental Housing Redevelopment at Pak Tin Estate in Shek Kip Mei Phase 11; Phase 1 Redevelopment of Ming Wah Dai Ha; Construction of Public Rental Housing Redevelopment at Pak Tin Estate in Shek Kip Mei Phases 7 & 8; and Subsidised Sale Flats Project at Shatin Area 36C. In overseas, the Group has commenced work on the design and construction of water conveying facilities in the Philippines via joint venture company.

In respect of projects completed and delivered during the Review Period, they include Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities – Passenger Clearance Building and Design and Construction of Redevelopment of Kwai Chung Hospital (Phase 1).

Owing to fierce competition in the construction industry, compounded by the near completion of the ten major infrastructure projects in Hong Kong, the business environment has become increasingly challenging, creating headwinds for the Group's construction business. Nevertheless, the 2018 Policy Address delivered by the Chief Executive of the Hong Kong Special Administrative Region Government suggests that new large-scale infrastructure projects are on the horizon. In particular, "Lantau Tomorrow Vision", which will involve a study on the reclamation of artificial islands to increase land supply, will become a key area of development and act as a "Double Gateway" to the world and other Greater Bay Area cities. Also, construction of the Three-Runway System as part of an expanded Hong Kong International Airport represents another key infrastructure project that will offer opportunities to skilled contractors such as the Group.

Property Development and Assets Leasing

The property development and assets leasing segment contributed segment profit of HK$156.3 million to the Group during the Review Period. The amount included a gain from the disposal of the residential "T PLUS" project located at No. 2 Tsing Min Path, Tuen Mun. The fair return highlights the favourable performance of the property sector in Hong Kong during the Review Period, as well as the management's foresights in managing property investment projects.

Over the past six months, the Group has continued to achieve progress with a number of projects in Hong Kong, including co-development of the premium residential property located at Waterloo Road, Ho Man Tin; commercial redevelopment project at Cameron Road, Tsim Sha Tsui; and residential property development at Prince Edward Road West. While the Group will continue to seek more projects for development and investment in Hong Kong, it will do so with added prudence in view of rising uncertainty entering the market, the result of interest rate hikes, US-China trade war, and correction in the local stock market. Also due to market conditions, the Group will explore joint venture opportunities to mitigate risk, as well as regularly review and optimise its property portfolio to realise favourable returns.

Professional Services

The professional services segment, of which the security and facility management business operated by City Services Group Limited ("City Services") is the principal constituent, delivered a revenue of HK$349.8 million to the Group during the Review Period. Segmental profit amounted to HK$11.5 million. During the Review Period, the Group has secured the management, operation and maintenance contracts of four tunnels and now is totally managing five tunnels, namely the Cross-Harbour Tunnel, the Shing Mun Tunnels, the Tseung Kwan O Tunnel, the Kai Tak Tunnel and the Lion Rock Tunnel. Once the Central-Wan Chai Bypass Tunnel commences operation later in the year, the Group will be managing a total of six tunnels in Hong Kong.

Other Business

The Group has remained fully committed to diversifying its business interests. Correspondingly, it entered into a memorandum of understanding with Guangzhou Nansha Development Zone and Guangzhou Industrial Investment Fund Management Co., Ltd in April 2018, to promote the development of the Nansha Area. It has since commenced work with relevant parties on developing education service, as well as urban infrastructure in the region, starting with the construction of an education base.

Yet other business interests that the Group has continued to develop include the provision of construction financing services as well as the operation of an online building materials procurement platform. As these business interests are currently under development, their full potential have yet to be realised.

OUTLOOK AND PROSPECTS

Construction

The “Lantau Tomorrow Vision” project proposed by the government, which will involve the construction of artificial islands in east and north of Lantau and linkage of the Tuen Mun coast leading to approximately 1,700 hectares of land and potentially 260,000 to 400,000 residential units by 2032, is an undertaking that many members of the construction industry will undoubtedly be eyeing. According to the estimation of the government, projected to cost between HK$400 billion and HK$500 billion, it represents a major opportunity that the Group will also look to seize on and from which to further demonstrate its expertise, professionalism, experience and technological prowess. The Group recognises that there are also other opportunities on the horizon, and will continue to establish ties with mainland Chinese enterprises with the goal of diversifying its presence both in and outside of the People’s Republic of China, which in the case of the former would include growing the Group’s footprint in the Greater Bay Area.

The Group will also encourage prudent development of its construction business through investments in high-potential construction companies in Asia, as well as mergers and acquisitions and partnerships that further its involvement in major infrastructure projects across the region.

Property Development and Assets Leasing

Volatility is expected to continue afflicting the property market as the US-China trade war, weakening stock markets, rising lending rates and depreciating Renminbi will contribute to the erosion of consumer confidence. The Group is well aware of such developments and will take a highly cautious approach towards its property developments and investments. This will include partnering with reputable enterprises to explore suitable opportunities, and taking collaborative roles in the development of large-scale property projects.

Professional Services

City Services will continue to train up staff from security and facility management business to support the high manpower demand from tunnel management business.

Other Business

While believe that its new business interests will require a reasonable period of development before more favourable returns materialise, the Group will nonetheless continue to dedicate efforts in expediting this process. The Group will also leverage its strong business platform and solid reputation to explore new growth avenues.

Conclusion

With syndicated loan facilities of HK$2.25 billion concluded during this year, the Group was able to enhance its financial flexibility and funding capability, as well as enable the Group to accelerate its business expansion. Over the past three years, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to Shareholders, was significantly improved, decreasing from 0.85 to 0.35. The Group endeavours to maintain a sustainable and healthy financial position.

Going forward, the Group will maintain its strategy of increasing involvement in large-scale infrastructure projects resulting from both the Hong Kong and Greater Bay Area development plans. Correspondingly, it will look to capitalise on partnership arrangements that not only enable the Group to strengthen its footing in the property development arena, but also achieve progress on such fronts as education service. At the same time, the Group will continue to seek new business and to broaden income streams, including through opportunities that arise from the Greater Bay Area. Further afield, the Group will also explore opportunities to participate in different development projects across Asia via investments and acquisitions.

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

During the six months ended 30 September 2018, the Company repurchased 2,446,000 shares of the Company at an aggregate consideration of HK$1,808,960 (before expenses) on the Stock Exchange. The shares repurchased in July were cancelled during the period and the shares repurchased in September were cancelled in November 2018.

Particulars of the repurchase during the period are as follows:

Months of share repurchase	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate consideration paid (before expenses) *HK$*
July	1,672,000	0.77	0.71	1,225,720
September	774,000	0.78	0.74	583,240
Total	2,446,000			1,808,960

The Directors considered that the repurchases were made with a view to enhancing the net assets value per share and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee of the Board (the "Audit Committee") comprises three members, namely Mr. Wu William Wai Leung (Chairman of the Audit Committee), Mr. Lam Yau Fung, Curt and Mr. Ho Gilbert Chi Hang, all being Independent Non-executive Directors. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2018.

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

Hong Kong, 28 November 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. Wu William Wai Leung, Mr. Lam Yau Fung, Curt and Mr. Ho Gilbert Chi Hang.