



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



Build a Better Future with
Trust & Commitment

Interim Report 2016

CORE VALUES



VISION

To be an acclaimed contractor and developer in Asia with dynamic and sustainable growth

MISSION

- Improve people's quality of life through city and infrastructure development
- Grow with our employees through fulfilling work environment and career development
- Create value for shareholders

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Xu Jianhua (*Co-Chairman*)

Pang Yat Bond, Derrick (*Deputy Chairman*)

Kwok Yuk Chiu, Clement (*Managing Director*)

Non-executive Directors

Pang Yat Ting, Dominic (*Co-Chairman*)

Zhang Xiaoliang

Independent Non-executive Director

Wu William Wai Leung

AUDIT COMMITTEE

Wu William Wai Leung

EXECUTIVE COMMITTEE

Kwok Yuk Chiu, Clement (*Chairman*)

Pang Yat Bond, Derrick

Pang Yat Ting, Dominic

Shea Chun Lok, Martin

MANAGEMENT COMMITTEE

Pang Yat Bond, Derrick (*Chairman*)

Kwok Yuk Chiu, Clement

Pang Yat Ting, Dominic

NOMINATION COMMITTEE

Pang Yat Ting, Dominic (*Chairman*)

Wu William Wai Leung

REMUNERATION COMMITTEE

Wu William Wai Leung

COMPANY SECRETARY

Shea Chun Lok, Martin

AUDITORS

Ernst & Young

LEGAL ADVISORS

Conyers Dill & Pearman

Troutman Sanders

PRINCIPAL BANKERS

Chong Hing Bank Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of
China (Asia) Limited

The Hongkong and Shanghai Banking
Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Bank of East Asia Harbour View Centre

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Wanchai

Hong Kong

REGISTERED OFFICE

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Hamilton HM 11

Bermuda

PRINCIPAL SHARE REGISTRAR

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HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited

Level 22, Hopewell Centre

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CORPORATE WEBSITE

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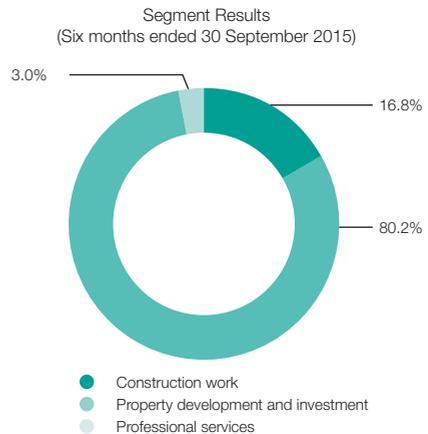
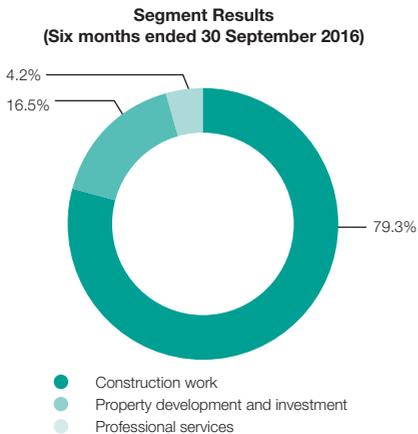
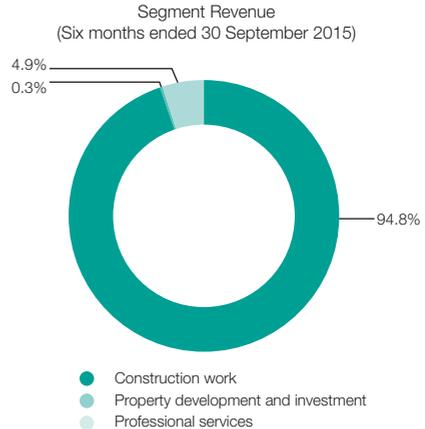
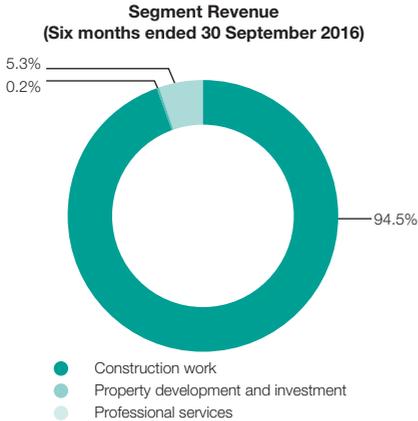
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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

Revenue and Results by Operating and Reportable Segment



Summary of the revenue and results for the six months ended 30 September 2016 are as follows:

- Segment revenue was approximately HK\$4.54 billion, 11.5% increased from that of the corresponding period of last year.
- Segment results was approximately HK\$108.8 million, by comparing with that of approximately HK\$253.0 million for the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

Asia Allied Infrastructure Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) achieved stable overall performance for the six months ended 30 September 2016 (the “Review Period”) with a total revenue of approximately HK\$4.54 billion, representing a year-on-year increase of 11.5%. Net profit attributable to the shareholders of the Company decreased by 79.7% to approximately HK\$44.2 million, which was due to the gain on sale of property interests through disposal of a subsidiary in the corresponding period last year. If the impact of such gain was excluded, net profit attributable to the shareholders of the Company for the Review Period still recorded an increase of 135.8%, while earnings per share of HK3.00 cents increased by 125.6% year on year.

Construction

During the Review Period, the Group performed steadily in its core construction business. Construction contracts continued to progress as planned while a number of major projects had been completed. The construction segment recorded a revenue of approximately HK\$4.29 billion for the Review Period, representing a year-on-year increase of 11.3%. Segmental profit was approximately HK\$86.2 million, representing a year-on-year increase of 103.3%.

The total value of contracts on hand as at 30 September 2016 was estimated to be approximately HK\$34.32 billion, of which approximately HK\$14.21 billion remained in progress. These amounts represented an increase of 8.3% and 1.9% respectively compared with the figures as at 31 March 2016.

Under the continuous influence of various external factors on the construction industry, tendering for large-scale infrastructure construction projects of the Hong Kong government continued to experience delay, resulting in a decline in the number of infrastructure projects undertaken by the Group during the Review Period. Nevertheless, the Group still managed to secure a number of public and private building construction projects by leveraging its outstanding past performance and excellent service quality, alongside the government’s initiative to increase land supply. During the Review Period, the Group was awarded six major new contracts with an aggregate value of approximately HK\$3.05 billion, representing an increase of 4.1% compared with the figure of approximately HK\$2.93 billion for the corresponding period last year. Among the newly awarded projects, the contract with the highest value is the Construction of Public Rental Housing Redevelopment at Pak Tin Estate Phases 7 and 8, which carries a contract sum of approximately HK\$1.99 billion and is expected to be completed in the second quarter of 2019; and another one is the Design and Construction of Redevelopment of Kwai Chung Hospital (Phase 1), which carries a contract sum of approximately HK\$370 million and is expected to be completed in January 2018. In addition, the Group secured the contracts for Hong Kong International Airport – Terminal 1 Annex and Car Park Advanced Works as well as Foundation for Subsidised Sale Flats Development at Tseung Kwan O Area 65C2, Phase 1. The newly awarded contracts once again demonstrated the market recognition for the Group’s outstanding project execution capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

Under the present political environment, tendering for government infrastructure projects has experienced substantial delay, causing a reduction in the number of large-scale civil works projects. Competition in the construction industry has further intensified and resulted in subdued profit margins. In view of this, the Group has been committing to mechanising its works procedure with extensive application of innovative technology and advanced equipments in its various construction projects. A variety of manpower saving building designs have also been adopted flexibly to combat the escalating labour cost. A subsidised housing construction project in Shatin has marked the pioneering adoption of the construction method of using fully precast units. Apart from the benefits of more effective control on construction efficiency and quality, labour cost saving and higher profit margins can also be attained by using this method.

During the Review Period, satisfactory progress was achieved for various construction projects, including Central-Wan Chai Bypass: Tunnel (North Point Section) and Island Eastern Corridor Link, Hong Kong-Zhuhai-Macao Bridge Boundary Crossing Facilities – Passenger Clearance Building, MTR Shatin to Central Link and Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works, etc. However, the residential project located at a parcel of land at Yiu Sha Road, Whitehead, Ma On Shan (the “Whitehead Project”) jointly developed by the Group and China City Construction Property Company Limited (“CCCP”), a wholly-owned subsidiary of China City Construction (International) Co., Limited (“CCCI”), has been suspended. Subsequent to the Review Period, Chun Wo Building Construction Limited, a wholly-owned subsidiary of the Company as the main contractor, has instigated legal proceedings in the High Court of Hong Kong (the “High Court”) against the project company for default on certain payments incurred in the construction works under the project in order to protect the interests of the Group.

During the Review Period, the construction segment of the Group completed and delivered seven projects, which include Wan Chai Development Phase II: Central-Wan Chai Bypass at Hong Kong Convention and Exhibition Centre, MTR Kwun Tong Line Extension: Whampoa Station, which was completed in June 2016 with smooth commencement of operation in late October 2016, Foundation for Home Ownership Scheme Development at Choi Hing Road, Ngau Tau Kok, and Main Contract Works for the Retail Expansion of City of Dreams, Macau, etc.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

In respect of overseas mergers and acquisitions, the Group completed the acquisition of an engineering and architecture consultancy company in Singapore subsequent to the Review Period. The acquisition will create synergy effects in the Group's infrastructure and property development business in Hong Kong, the People's Republic of China (the "PRC") and overseas while consolidating its construction business. This will enable the Group to strengthen its capability for taking advantage of the development opportunities brought about by the PRC's "Belt and Road Initiative". As for the agreement for acquiring two engineering bureaus under China Chengjian Investment Limited entered into during the previous financial year, both parties have agreed in August 2016 to further negotiate the terms and conditions of the agreement and renegotiate in respect of the acquisition.

Property Development and Investment

The property development and investment segment recorded a revenue of approximately HK\$10.9 million during the Review Period, compared with approximately HK\$12.6 million for the corresponding period last year. Segmental profit decreased to approximately HK\$18.0 million. The decline was mainly due to the gain on sale of interest in two parcels of land in Macau through disposal of a subsidiary of the Company recorded during the corresponding period last year.

The Group's residential development project located at Tseng Choi Street, Tuen Mun has made satisfactory progress. The gross floor area under the project is approximately 148,000 sq. ft. It is expected that the project will offer about 356 residential units and a commercial floor area of approximately 38,000 sq. ft. The project is awaiting issuance of the pre-sale consent and the pre-sale is expected to commence at the end of 2016. Completion of construction is scheduled for the first half of 2018.

In addition, the Group is applying to the government for a change of land use for the residential project located at Tung Chung Road. If smooth progress is achieved, it is expected that the construction works will commence in 2018.

Subsequent to the Review Period, the Group entered into a provisional agreement with the purchaser on 4 November 2016 for the sale of the shops and car park spaces of Grand View Garden located at Hammer Hill Road, Kowloon, Hong Kong, a rental property of which the Group completed acquisition during the Review Period, at a consideration of HK\$295 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Development and Investment *(Continued)*

Besides, Success Will Development Limited, a wholly-owned subsidiary of the Company, has instigated legal proceedings in the High Court against CCCP and CCCI in respect of the failure of CCCP and CCCI in fulfilling their obligations to inject capital into the joint venture company for the Whitehead Project with a view to protecting the interests of the shareholders of the Company and the Group. For the time being, schedule for the development and completion of the project has yet to be decided pending the court's decision.

Professional Services

The Group's security and facility management solution segment has continued to provide efficient and quality one-stop security and facility management solutions. It has received widespread market recognition for providing reliable services to its clients in the past. During the Review Period, the Group gained the trust of a number of major clients and achieved a satisfying renewal rate of security and facility management solution services contracts, including YATA Department Store, DBS Bank and certain properties and residential clubhouses of MTR Corporation Limited. New contracts secured during the period include Two MacDonnell Road, Harbour Green and Shatin Donor Centre of Hong Kong Red Cross Blood Transfusion Service, etc.

On the other hand, the Group has been actively exploring business opportunities arising from large-scale local events in recent years, including venue security service contracts of the Hong Kong Wine & Dine Festival, Hong Kong Food Carnival and Hong Kong Brands & Products Expo, which was awarded after the Review Period.

During the Review Period, the Group has submitted an application to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for spin-off of its business segment of professional services (security and facility management solutions) and separate listing of City Services Group Limited ("City Services") on Growth Enterprise Market of the Stock Exchange ("GEM").

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Other Business

Further to its core business, the Group has also continued to expand its business to a wider scope by securing the operation and management contract for Cross-Harbour Tunnel during the Review Period, and the contract took effect from 1 November 2016. Meanwhile, leveraging its previous outstanding achievements in the construction industry and successful experience gained in the security services industry, the Group has also extended its business into high-end safe deposit box rental services and has leased a basement with an area of approximately 5,000 sq. ft. located at the core commercial district in the Central-Sheung Wan area concentrated with Grade A office buildings for preparation of commencement of the business. It is expected that the operation will commence in the first half of 2017. The basement will be equipped with a security system designed for casinos and safe deposit boxes manufactured in Europe with European Union anti-theft and safety certifications, coupled with self-developed stringent identity security measures and 24-hour services. The business aims to meet the demand of high-end customers for such premium personal safe deposit box rental services.

Liquidity and Financial Resources

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

At 30 September 2016, the total net debts of the Group amounted to approximately HK\$1,621.6 million, representing total debts of approximately HK\$3,027.8 million less total of cash and bank balances of approximately HK\$1,406.2 million. The debt maturity profile, based on scheduled repayment dates set out in loan agreements of the Group as at 30 September 2016, is analysed as follows:

	As at 30 September 2016 (Unaudited) HK\$ million	As at 31 March 2016 (Audited) HK\$ million
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	1,639.6	1,207.5
After one year, but within two years		
– On demand shown under current liabilities	483.8	197.9
– Remaining balances	408.8	178.8
After two years, but within five years		
– On demand shown under current liabilities	42.1	334.2
– Remaining balances	329.4	646.2
	2,903.7	2,564.6
Convertible bonds		
– Repayable after one year but within two years	124.1	119.8
Total debts	3,027.8	2,684.4

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

At 30 September 2016, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company was 0.81 (31 March 2016: 0.74).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars or Renminbi which are the same as the functional currency of the relevant group entities. The Group has no significant exposure to foreign exchange rate fluctuations and shall use derivative contracts to hedge against its exposure to currency risk only when necessary. 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 Condensed Consolidated Interim Financial Information contained in this report.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in Note 21 to the Condensed Consolidated Interim Financial Information contained in this report.

Employee and Remuneration Policies

The Group had approximately 4,864 employees as at 30 September 2016. Total remuneration of employees for the six months ended 30 September 2016 amounted to approximately HK\$643.8 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned. Moreover, the Group also provides in-house and external training programmes which are complementary to certain job functions.

OUTLOOK AND PROSPECTS

While consolidating its business in Hong Kong, the Group will continue to explore business opportunities in Hong Kong, the Mainland China and overseas markets by leveraging its experience in the construction and property development industries in Hong Kong of more than half a century. The ultimate goal is to expand its infrastructure and property development business into the huge market of the Asia-Pacific region and overseas in order to further enhance profitability. The Group will seize the collaboration opportunities of public-private partnership model ("PPP") projects in the PRC and large-scale infrastructure development projects derived from the "Belt and Road Initiative", and hence realising its strategic goal of "Entering China, and Going Global".

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

To effectively enhance and build up the clear corporate image of the Group, the Company has changed its company name from “China City Construction Group Holdings Limited” to “Asia Allied Infrastructure Holdings Limited” in October 2016 with a view to aligning with its direction of future development and reflecting its long-term strategic goal.

Construction

The Group expects that the development of construction industry in Hong Kong will remain stable in the long run, but still be subject to various challenges in the short term, including the surging labour cost, labour shortage and delay in tendering of large-scale infrastructure projects due to political disputes. In the long term, the Group believes that the Hong Kong government will continue its initiative in steadily promoting infrastructure development and increasing housing supply in order to boost economic growth, leading to promising prospects of the construction industry. Affected by the delay in funding approval for a number of infrastructure projects, the Group is exposed to a slowdown in its infrastructure business. Nevertheless, taking advantage of the Group’s reputation and remarkable achievements within the industry, we are confident that we will be able to secure more contracts for infrastructure projects in the future, including the Three-Runway System of the Hong Kong International Airport.

Moreover, with the initiative of the Hong Kong government in increasing land supply, the Group remains optimistic about the amount of potential residential building projects in the next few years. The Group will strive to compete for securing tenders for various projects in the relevant construction fields. In view of the surging cost in the industry, the Group will keep focusing on exploring measures to control cost and improve efficiency, aiming to accelerate the works progress while effectively implementing quality control.

In the Mainland China, PPP projects with a total investment amount of approximately RMB1 trillion were implemented by the end of June 2016 and the implementation rate reached 23.8% as of the end of August, indicating a prominent rising trend. The Group believes that the infrastructure investment market based on the PPP model will open up vast development potential. It is promising that we will stand out in the bidding of infrastructure projects along the route of the “Belt and Road Initiative” with our extensive experience in the infrastructure business accumulated over the past few decades and the remarkable past performance of our partners in PPP projects.

The Group will proactively expand its business in the Asia-Pacific region and overseas markets. During the Review Period, the Group has been exploring business development opportunities in Singapore, Indonesia, Maldives, Thailand and other countries and is in the course of negotiating for a number of projects. The Group will also develop a wide variety of projects to achieve sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Property Development and Investment

The property development and investment segment will become one of the main drivers for the future development of the Group. The Hong Kong government has increased land supply during the past couple of years. Developers participating in the bidding of land are becoming more diversified, involving not only traditional local developers, but also consortiums from the Mainland China and local construction companies, thereby intensifying the competition in bidding for land. The Group will also consider participating in the bidding of land as a sole proprietor or in partnership with other consortiums. Through capitalising on its own expertise in construction works, project management and resource allocation to carry out property development projects, the Group will capture more property development opportunities with high potential and utilise its advantages that help mitigate risks and lower the operating capital contribution to the respective projects.

Among the ongoing residential property projects developed by the Group in Hong Kong, the residential development project at Tseng Choi Street, Tuen Mun is expected to commence pre-sale at the end of 2016 and is likely to be the first to contribute revenue to the Group. Going forward, in addition to seeking local property development and investment opportunities in Hong Kong to further consolidate its market share in Hong Kong, the Group will also continue to identify suitable development and acquisition projects in other Asian countries and overseas markets. In the meantime, the Group is considering gradually realising its investment in a number of property development projects that have been held for a couple of years, so as to further optimise its overall investment portfolio and release asset value to achieve the highest returns for shareholders of the Company.

Professional Services

The Group will continue its efforts in exploring the security and facility management services market and capturing growth opportunities to further enlarge its market share. The future business strategy of the management is to facilitate the diversification and comprehensive development of the Group's professional services by seizing new opportunities in similar projects by reference to its previous business experience.

Upon successful spin-off and separate listing of City Services on GEM, City Services will focus on the business of provision of security and facility management solution services and continue to contribute to the Group in its capacity as a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Overview

Going forward, while consolidating its construction and property development business in Hong Kong, the Group will actively participate in investing in quality PPP projects in the Mainland China and capture the opportunities of large-scale infrastructure development under the “Belt and Road Initiative” in countries along the route through thorough planning and comprehensive review of the growth potential of each project, thereby improving the effectiveness in bidding and profitability. The Group will also continue to seize new opportunities for property development and investment.

In conclusion, capitalising on its experience in the construction industry accumulated over the past few decades and its partners’ outstanding performance in infrastructure projects and extensive resource network in the PRC, the Group will unleash more synergy to strengthen competitiveness and proactively explore promising property development opportunities in the Asia-Pacific region and overseas markets through collaborative partnership, thus enabling the Group to gradually increase its presence globally and evolve into a leading multinational enterprise.

The Group will also continue to reinforce internal management, strengthen integrated project management capability and nurture highly efficient management staff by providing professional training. With the resulting enhancement in overall operating efficiency through cost and risk control, we believe that these efforts will enable the Group to achieve steady and persistent growth.

CORPORATE SOCIAL RESPONSIBILITY

OUR PEOPLE

The Group has always treated its employees as valuable asset and has embraced the management philosophy of investing in people. Through a number of training programmes tailored to employees at different levels, the Group has meticulously created a career ladder for them, to consolidate and strengthen their professional skills as well as enhance the competitiveness of the Group in the long run. In the earlier years, the Group even launched the “Project Campus” to enhance employees’ cohesion and create an intimate working space by creating an integrated culture across the employees and improving the working environment and providing various kinds of technical devices and recreational facilities. The Group had approximately 4,864 employees as at 30 September 2016, during which the Group received the Best Employers Award 2016 from JCI Dragon and the Hong Kong Small and Medium Enterprises Association, indicating that the Group’s employee management philosophy, human resources development direction and plan as well as the track record of employee training were highly recognized and appreciated by various sectors. The Group will continue to do everything it can to become a good role model in the industry for advancing the interests of both the employees and the Company.

EMPLOYEE HEALTH AND SAFETY

Ensuring the safety of the workplace and the health of our employees is a requirement for operating the business, about which the Group is always highly concerned. Chun Wo Construction Holdings Company Limited (“Chun Wo”), a subsidiary under the Group specialized in operating the construction business, is an OHSAS 18001 certified company, and also has a safety audit system that both identifies actual or potential dangers and threats as well as monitors the effectiveness of its safety management system. During the period under review, its safety audit score was 86.8%, higher than the set target of 85%.

Stringent safety control initiatives are carried out at each of Chun Wo’s construction sites. The accident rate during the period under review was 0.21 accidents/100,000 working hours, lower than the safety target (i.e. accident rate <0.22) set at the beginning of the year. The Group is pleased with the low accident rate during the Review Period. In the future, Chun Wo will continue to closely review the safety status at construction sites, and continuously take effective improvement measures to address potential risks.

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

EMPLOYEE HEALTH AND SAFETY *(Continued)*

During the Review Period, Chun Wo made fruitful achievements in pursuit of construction site safety. It received various safety performance awards in nine categories of the construction industry, the 15th Hong Kong Occupational Safety & Health Award – Safety Management System Award – Construction (Gold) and the Best Method Statement (Gold) awarded by the Occupational Safety and Health Council. It was widely recognized for making the best use of technology and innovative ideas to design tools that enhance construction site safety. Its self-designed Unpiloted Concrete Skip garnered the “Innovative Safety Initiatives Award 2016 – Safety Operational Device Category (Gold) – Unpiloted Concrete Skip” from the Development Bureau and the Construction Industry Council, and “The Lighthouse Club International Design for Safety Award (Bronze)”.

ENVIRONMENTAL PROTECTION

The Group realizes that there should be an equal emphasis on both environmental protection and the development of the construction industry. It always aims to create a sustainable environment as a core strategy for building a model on operating its construction business. By formulating measures to protect the environment, conserve resources and upgrade environmental standards, it strives to minimize the impact of projects on the environment, which is believed to be able to enhance the competitiveness of the Group as well. This is why the Group conducts stringent carbon audits and establishes carbon emissions benchmarks. During the Review Period, the Group has received the “Outstanding Environmental Management & Performance Award (Gold)” under the “22nd Considerate Contractors Site Award Scheme” from the Development Bureau for its construction business in recognition of our high regard for environmental protection and our sound implementation of good practices, reaffirming the Group’s commitment to making outstanding contributions to environmental protection.

OPERATING PRACTICES

The Group, as always, upholds its operating principles of honesty, integrity and fairness, and constantly reminds employees to avoid situations that may lead to any real conflicts of interest. It issues periodic written reminders to business partners/suppliers about the Group’s policy regarding “Non-acceptance of Advantages” to ensure that its good reputation will not be compromised by corruption, fraud or disloyalty.

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

COMMUNITY INVOLVEMENT

Through the Harmony Community Programme, our site colleagues based in different communities across the territory are able to organize and participate in community activities to show their corporate concern and make every effort to minimize the impact of projects on the community in order to continuously improve the living environment so as to realize the vision of “Building a Harmonious Community” under Group’s Corporate Social Responsibility. During the Review Period, Chun Wo’s staff has played an active role in organizing and participating in 33 different types of community volunteer activities for more than 1,400 service hours to make contributions to the community in terms of education, in-kind donations, volunteer services, arts and cultural exchanges as well as cooperation with social enterprises. Chun Wo also worked with Lifewire and WEDO GLOBAL on organizing “Companions of Charting the Unknown” Charitable Musical and “Chun Wo x WEDO GLOBAL Culture Fun Day” to integrate diversified charitable activities into different communities for the benefit of wider segments of society at different levels.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the board of directors of Asia Allied Infrastructure Holdings Limited

(formerly known as China City Construction Group Holdings Limited)

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 61, which comprise the condensed consolidated statement of financial position of Asia Allied Infrastructure Holdings Limited (the “Company”) and its subsidiaries as at 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The directors of the Company are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (“HKSRE 2410”) issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

We draw attention to the fact that the comparative figures set out in the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and the related notes for the six-month period ended 30 September 2015 have not been reviewed in accordance with HKSRE 2410.

Ernst & Young

Certified Public Accountants

Hong Kong

29 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	4,537,181	4,068,502
Cost of sales		(4,296,147)	(3,867,298)
Gross profit		241,034	201,204
Other income and gains, net	4	51,723	222,787
Selling expenses		(2,223)	(1,193)
Administrative expenses		(186,020)	(171,950)
Other expenses, net		(25,916)	(266)
Finance costs	5	(26,468)	(20,493)
Share of profits and losses of associates		19,941	4,895
PROFIT BEFORE TAX	6	72,071	234,984
Income tax	7	(27,855)	(16,247)
PROFIT FOR THE PERIOD		44,216	218,737
OTHER COMPREHENSIVE LOSS			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences:			
Translation of foreign operations		(22,766)	(25,530)
Reclassification adjustment for a gain included in profit or loss upon deregistration of a subsidiary		(1,265)	–
Share of movements in exchange fluctuation reserves of associates		(204)	(44)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX OF NIL		(24,235)	(25,574)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		19,981	193,163

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		
ATTRIBUTABLE TO:		
Shareholders of the Company	44,213	218,281
Non-controlling interests	3	456
	44,216	218,737
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Shareholders of the Company	19,978	192,707
Non-controlling interests	3	456
	19,981	193,163
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
	9	
Basic (HK cents)	3.00	15.52
Diluted (HK cents)	2.91	14.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	270,038	282,527
Investment properties	11	324,554	29,554
Investments in joint ventures		313,993	313,993
Investments in associates		209,033	295,632
Deferred tax assets		10,962	2,134
		<hr/>	
Total non-current assets		1,128,580	923,840
		<hr/>	
CURRENT ASSETS			
Land held for property development		531,182	538,558
Properties under development		338,508	305,155
Properties held for sale		9,912	13,855
Amounts due from contract customers		2,026,782	2,011,048
Trade receivables	12	1,974,333	1,692,962
Prepayments, deposits and other receivables		746,155	423,053
Income tax recoverable		4,652	9,113
Equity investments at fair value through profit or loss		127	147
Restricted cash and pledged deposits		50,297	268,950
Cash and cash equivalents		1,355,906	1,005,420
		<hr/>	
Total current assets		7,037,854	6,268,261
		<hr/>	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 September 2016

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Amounts due to contract customers		879,997	685,830
Trade payables	13	1,617,321	1,372,138
Deposits received from sales of properties		1,539	1,707
Other payables and accruals		410,686	355,962
Income tax payables		76,348	59,822
Bank borrowings	14	2,142,507	1,713,358
Hire purchase contract and finance lease payables		22,971	26,336
		<hr/>	<hr/>
Total current liabilities		5,151,369	4,215,153
		<hr/>	<hr/>
NET CURRENT ASSETS		1,886,485	2,053,108
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,015,065	2,976,948
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables		74,064	81,198
Bank borrowings	14	714,938	791,090
Convertible bonds	15	124,067	119,800
Hire purchase contract and finance lease payables		23,258	33,803
Deferred tax liabilities		38,510	22,351
		<hr/>	<hr/>
Total non-current liabilities		974,837	1,048,242
		<hr/>	<hr/>
Net assets		2,040,228	1,928,706
		<hr/>	<hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	16	148,662	141,462
Reserves		1,864,845	1,761,394
		<hr/>	<hr/>
Non-controlling interests		2,013,507	1,902,856
		26,721	25,850
		<hr/>	<hr/>
Total equity		2,040,228	1,928,706
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to shareholders of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Convertible bond equity reserve (Unaudited) HK\$'000 (note 15)	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2015	132,362	444,206	2,900	33,938	8,531	87,553	874,200	1,583,690	1,417	1,585,107
Profit for the period	-	-	-	-	-	-	218,281	218,281	456	218,737
Other comprehensive loss for the period:										
Exchange differences:										
Translation of foreign operations	-	-	-	-	-	(25,530)	-	(25,530)	-	(25,530)
Share of movements in exchange fluctuation reserves of associates	-	-	-	-	-	(44)	-	(44)	-	(44)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(25,574)	218,281	192,707	456	193,163
Issue of shares upon exercise of convertible bonds	9,100	33,750	-	(7,980)	-	-	-	34,870	-	34,870
At 30 September 2015	141,462	477,956	2,900	25,958	8,531	61,979	1,082,481	1,811,267	1,873	1,813,140
At 1 April 2016	141,462	477,956*	2,900*	25,958*	33,299*	45,131*	1,176,150*	1,902,856	25,850	1,928,706
Profit for the period	-	-	-	-	-	-	44,213	44,213	3	44,216
Other comprehensive loss for the period:										
Exchange differences:										
Translation of foreign operations	-	-	-	-	-	(22,766)	-	(22,766)	-	(22,766)
Reclassification adjustment for a gain included in profit or loss upon deregistration of a subsidiary	-	-	-	-	-	(1,265)	-	(1,265)	-	(1,265)
Share of movements in exchange fluctuation reserves of associates	-	-	-	-	-	(204)	-	(204)	-	(204)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(24,235)	44,213	19,978	3	19,981
Share placement	7,200	82,800	-	-	-	-	-	90,000	-	90,000
Deemed contribution from a non-controlling equity holder of a subsidiary [†]	-	-	-	-	401	-	-	401	-	401
Share of reserve of an associate [‡]	-	-	-	-	272	-	-	272	-	272
Acquisition of a subsidiary (note 18)	-	-	-	-	-	-	-	-	868	868
At 30 September 2016	148,662	560,756*	2,900*	25,958*	33,972*	20,896*	1,220,363*	2,013,507	26,721	2,040,228

* These reserve accounts comprise the consolidated reserves of HK\$1,864,845,000 (31 March 2016: HK\$1,761,394,000) in the condensed consolidated statement of financial position.

[†] The amounts represent the differences between the principal amounts and fair values of interest-free loans provided to a subsidiary and an associate by a non-controlling equity holder of a subsidiary and the Group, respectively, at initial recognition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

		Six months ended	
		30 September	
		2016	2015
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Net cash flows from operating activities		54,930	2,402
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		11,488	11,119
Purchases of items of property, plant and equipment		(11,414)	(22,306)
Proceeds from disposal of items of property, plant and equipment		3,771	11,157
Proceeds from disposal of investment properties		–	60,000
Proceeds from sale of property interests through disposal of a subsidiary	19	–	207,058
Acquisition of subsidiaries	18	(155,185)	–
Increase in amounts due from associates		(149,313)	(4,689)
Increase in amount due from an investee company		–	(7,000)
Net cash flows (used in)/from investing activities		(300,653)	255,339
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new ordinary shares	16	90,000	–
New bank loans		819,207	818,194
Repayment of bank loans		(496,619)	(877,524)
New trust receipt loans		28,384	876,436
Repayment of trust receipt loans		–	(892,980)
Capital element of hire purchase contract and finance lease rental payments		(13,950)	(24,634)
Interest element of hire purchase contract and finance lease rental payments		(722)	(1,075)
Other interest paid		(31,948)	(32,253)
Decrease in restricted cash and pledged deposits		218,653	177,050
Net cash flows from financing activities		613,005	43,214
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		367,282	300,955
Cash and cash equivalents at beginning of period		1,005,420	702,661
Effect of foreign exchange rate changes, net		(16,796)	17,940
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,355,906	1,021,556

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	1,300,111	1,081,123
Time deposits	106,092	356,794
Total cash and bank balances	1,406,203	1,437,917
Less: Restricted cash and pledged deposits	(50,297)	(416,361)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,355,906	1,021,556

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2016 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016, 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 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Account</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

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 – development, sale and leasing of properties and investment
- Professional services – provision of security and facility management solutions

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

3 OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the six months ended 30 September 2016

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

3 OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 30 September 2015

	Construction work (Unaudited) HK\$'000	Property development and investment (Unaudited) HK\$'000	Professional services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	3,854,623	12,626	201,253	4,068,502
<hr/>				
Segment results	42,417	202,872	7,720	253,009
<hr/>				
Bank interest income				11,119
Corporate and other unallocated expenses				(8,651)
Finance costs				(20,493)
Income tax				(16,247)
<hr/>				
Profit for the period				218,737
<hr/>				
Other segment information:				
Share of profits and losses of associates	-	4,895	-	4,895
Depreciation	(26,788)	(53)	(459)	(27,300)
Loss on disposal of items of property, plant and equipment, net	(137)	-	(80)	(217)
<hr/>				

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

3 OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Information about major customers

During the period, two customers located in Hong Kong and from the construction work segment contributed more than 10% of the Group's revenue for the period and the revenue earned from these two customers for the period amounted to HK\$2,240,257,000 (six months ended 30 September 2015: HK\$1,946,458,000) and HK\$482,004,000 (six months ended 30 September 2015: HK\$731,991,000), respectively.

4 REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents: (1) an appropriate proportion of contract revenue of construction contracts for the provision of services in areas of civil engineering, electrical and mechanical engineering, foundation and building construction; (2) the invoiced value of properties sold, net of business tax and government surcharges; (3) gross rental income from the leasing of properties; and (4) service fees from the provision of security and facility management solutions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

4 REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

An analysis of the Group's revenue, other income and gains, net, is as follows:

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Construction work	4,288,431	3,854,623
Sale of properties	6,117	3,297
Gross rental income	4,783	9,329
Rendering of services	237,850	201,253
	4,537,181	4,068,502
Other income		
Bank interest income	11,488	11,119
Rental income	14	2,200
Guarantee income	9,361	–
Management fee	3,005	6,919
Sundry income	4,563	3,021
	28,431	23,259
Gains, net		
Gain on disposal of items of property, plant and equipment, net	2,745	–
Gain on deregistration of a subsidiary	1,265	–
Gain on bargain purchase of a subsidiary (note 18)	19,282	–
Gain on sale of property interests through disposal of a subsidiary (note 19)	–	199,528
	23,292	199,528
Other income and gains, net	51,723	222,787

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

5 FINANCE COSTS

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Trust receipt loans and other bank loans	31,948	26,815
Unsecured bond payable to a related company	–	5,438
Hire purchase contract and finance lease payables	722	1,075
	32,670	33,328
Imputed interest on:		
Convertible bonds	4,267	4,093
Interest-free loans from a non-controlling equity holder of a subsidiary	807	–
	5,074	4,093
Total interest expenses	37,744	37,421
Amortisation of ancillary costs incurred in connection with the arrangement of a bank loan	2,025	–
Total finance costs	39,769	37,421
Less: Amount included in cost of construction work	(10,071)	(15,717)
Amount capitalised in properties under development	(3,230)	(1,211)
	26,468	20,493

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

6 PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of construction work	4,079,840	3,679,328
Cost of properties sold and rental income	4,271	5,136
Cost of services provided	212,036	182,834
Depreciation	24,242	27,300
Less: Amount included in cost of construction work	(20,771)	(24,219)
	3,471	3,081
(Gain)/loss on disposal of items of property, plant and equipment, net	(2,745)	217

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

7 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2015:16.5%) 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	27,140	11,412
Mainland China	2,837	1,993
Elsewhere	804	1,778
Land appreciation tax	250	–
Deferred	(3,176)	1,064
Total tax expense for the period	27,855	16,247

8 DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

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

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

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

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	44,213	218,281
Imputed interest on convertible bonds	1,328	4,093
	<hr/>	<hr/>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	45,541	222,374
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

9 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY *(Continued)*

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,473,633,369	1,406,163,424
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	91,593,478	159,456,284
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	1,565,226,847	1,565,619,708

10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$11,414,000 (six months ended 30 September 2015: HK\$41,585,000) on property, plant and equipment and disposed of property, plant and equipment with a total net carrying amount of approximately HK\$1,026,000 (six months ended 30 September 2015: HK\$11,350,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

11 INVESTMENT PROPERTIES

	Six months ended 30 September 2016 (Unaudited) HK\$'000
Carrying amount at beginning of period	29,554
Acquisition of a subsidiary (note 18)	313,000
Net loss from fair value adjustment	(18,000)
	<hr/>
Carrying amount at end of period	324,554
	<hr/>

12 TRADE RECEIVABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	Notes	
Trade receivables other than retention receivables	(a), (b) 1,484,155	1,168,034
Retention receivables	(c) 490,178	524,928
		<hr/>
	1,974,333	1,692,962
		<hr/>

Notes:

- (a) Included in the trade receivables of the Group as at 30 September 2016 is an amount of HK\$337,660,000 (31 March 2016: HK\$5,000,000) due from an associate of the Group arising from transactions carried out in the ordinary course of business of the Group. The balance with the associate is unsecured, interest-free and repayable on credit term similar to those offered to the major customers of the Group.
- (b) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

12 TRADE RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor impaired relate to customers that have good credit quality with reference to the respective settlement history.

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 1 month	1,118,809	1,011,558
1 to 2 months	181,604	83,795
2 to 3 months	127,922	35,259
Over 3 months	55,820	37,422
	1,484,155	1,168,034

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Neither past due nor impaired	1,037,100	1,025,857
Past due but not impaired:		
1-30 days	191,785	78,072
31-90 days	195,911	18,661
91-180 days	14,713	23,109
Over 180 days	44,646	22,335
	447,055	142,177
	1,484,155	1,168,034

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

12 TRADE RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(c) Retention receivables held by contract customers arose from the Group's construction work business and are settled within a period ranging from one year to three years after the completion of the construction work, as stipulated in the construction contracts.

The due date for settlement of the Group's retention receivables as at the end of the reporting period is analysed as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Due within one year	150,295	152,124
Due after one year	339,883	372,804
	490,178	524,928

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

13 TRADE PAYABLES

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	Notes		
Trade payables other than retention payables	(a)	1,040,182	829,189
Retention payables	(b)	577,139	542,949
		1,617,321	1,372,138

Notes:

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

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 1 month	435,275	474,809
1 to 2 months	250,887	159,409
2 to 3 months	148,368	62,530
Over 3 months	205,652	132,441
	1,040,182	829,189

- (b) Retention payables held by the Group arose from the Group's construction work business and are settled to subcontractors within a period ranging from one year to three years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

14 BANK BORROWINGS

	30 September 2016 (Unaudited) Notes	31 March 2016 (Audited) HK\$'000
Bank borrowings comprise:	(a), (b)	
Trust receipt loans, unsecured	28,384	–
Bank loans, secured	1,087,804	1,112,187
Bank loans, unsecured	1,750,370	1,403,399
	2,866,558	2,515,586
Less: Unamortised ancillary costs incurred in connection with the arrangement of the bank loan	(9,113)	(11,138)
	2,857,445	2,504,448
Analysed into:		
Bank borrowings that contain a repayment on demand clause	(c)	1,420,586
	1,743,557	
Other bank borrowings repayable:		
Within one year	398,950	292,772
In the second to fifth years, inclusive	714,938	791,090
	1,113,888	1,083,862
Total bank borrowings	2,857,445	2,504,448
Portion classified as current liabilities	(2,142,507)	(1,713,358)
Non-current portion	714,938	791,090

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

14 BANK BORROWINGS *(Continued)*

Notes:

- (a) the Group's bank borrowings are all denominated in HK\$.
- (b) The trust receipt loans of the Group carry interest at floating rates ranging from HIBOR plus 1.85% to 2.40% (31 March 2016: Nil).

The bank loans of the Group carry interest at floating rates ranging from HIBOR plus 1.4% to 3% (31 March 2016: HIBOR plus 1% to 3%).

- (c) The expected repayment dates of the Group's bank loans that contain a repayment on demand clause, with reference to the schedules of repayments set out in the term loan agreements, are as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	1,217,696	888,396
In the second year	483,771	197,944
In the third to fifth years, inclusive	42,090	334,246
	1,743,557	1,420,586

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

	Net carrying amount as at	
	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Property, plant and equipment	25,758	33,765
Properties under development	338,508	305,155
Bank deposits	43,815	262,281
	408,081	601,201

In addition to the above, the Group has pledged the equity interest in a non-wholly-owned subsidiary to secure a banking facility granted to the Group as at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

15 CONVERTIBLE BONDS

Summary information of the Group's convertible bonds is set out as follows:

	Convertible Bonds A (note (a))	Convertible Bonds B (note (b))
Issuance date	31 December 2014	30 March 2015
Maturity date	31 December 2017	30 March 2018
Original principal amount (HK\$'000)	84,266	94,924
Coupon rate	zero	zero
Adjusted conversion price per ordinary share of the Company (HK\$) (note)	0.460	1.560

Note: The conversion prices of Convertible Bonds A and Convertible Bonds B were adjusted to HK\$0.460 and HK\$1.560, respectively, with effect from 11 May 2016 as a result of a share placement during the period, as further detailed in note 16.

For accounting purposes, each batch of these convertible bonds is bifurcated into a liability component and an equity component. The following tables summarise the movements in the principal amounts, the liability and equity components of the Group's convertible bonds during the period:

Convertible Bonds A (Unaudited)	Convertible Bonds B (Unaudited)	Total (Unaudited)
HK\$'000 (note (a))	HK\$'000 (note (b))	HK\$'000

Principal amount outstanding

At 1 April 2016 and			
30 September 2016	42,133	94,924	137,057

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

15 CONVERTIBLE BONDS *(Continued)*

	Convertible Bonds A (Unaudited)	Convertible Bonds B (Unaudited)	Total (Unaudited)
	HK\$'000 (note (a))	HK\$'000 (note (b))	HK\$'000
Liability component			
At 1 April 2016	37,275	82,525	119,800
Imputed interest expense	1,328	2,939	4,267
At 30 September 2016	38,603	85,464	124,067
Equity component (included in convertible bond equity reserve)			
At 1 April 2016 and 30 September 2016	7,980	17,978	25,958

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

15 CONVERTIBLE BONDS *(Continued)*

Notes:

- (a) Convertible Bonds A were issued to China New Way Investment Limited ("China New Way") on 31 December 2014 pursuant to a subscription agreement dated 16 September 2014 entered into between the Company and China New Way. Further details of the Convertible Bonds A and the conversion price adjustment during the period are set out in the Company's circular and announcement dated 26 November 2014 and 18 November 2016, respectively.

On 5 February 2015, China New Way disposed of 50% of Convertible Bonds A with an aggregate principal amount of HK\$42,133,000 to China City Construction (International) Co., Limited ("CCCI", a then third party independent to the Group but a shareholder of the Company as at 31 March 2016 and 30 September 2016) and hence each of China New Way and CCCI has interest in Convertible Bonds A with an aggregate principal amount of HK\$42,133,000 as at 31 March 2015.

On 17 April 2015, China New Way exercised the conversion rights of all its interest in Convertible Bonds A with an aggregate principal amount of HK\$42,133,000 and 91,000,000 new ordinary shares of the Company were allotted and issued to China New Way accordingly. The difference of HK\$33,750,000 between nominal value of the ordinary shares issued and the then aggregate carrying amounts of the liability and equity components of the relevant convertible bonds at the date of conversion was transferred to the Company's share premium account.

As a result, only CCCI has interest in Convertible Bonds A with an aggregate principal amount of HK\$42,133,000 as at 31 March 2016 and 30 September 2016.

- (b) Convertible Bonds B were issued to CCCI on 30 March 2015 pursuant to a subscription agreement dated 13 March 2015 entered into between the Company and CCCI for the purpose of providing general working capital to the Group.

Further details of Convertible Bonds B and the conversion price adjustment during the period are set out in the Company's announcements dated 13 March 2015 and 18 November 2016, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

16 SHARE CAPITAL

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Authorised:		
2,500,000,000 ordinary shares of HK\$0.1 each	250,000	250,000
Issued and fully paid:		
1,486,616,976 (31 March 2016: 1,414,616,976) ordinary shares of HK\$0.1 each	148,662	141,462

A summary of the movements in the Company's issued share capital and share premium account during the six months ended 30 September 2016 is as follows:

	Number of ordinary shares in issue (Unaudited)	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2016	1,414,616,976	141,462	477,956	619,418
Share placement (note)	72,000,000	7,200	82,800	90,000
At 30 September 2016	1,486,616,976	148,662	560,756	709,418

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

16 SHARE CAPITAL *(Continued)*

Note: On 3 May 2016, the Company entered into a placing and subscription agreement with China New Way (the immediate holding company of the Company) and a placing agent, pursuant to which (i) China New Way agreed to place, through the placing agent, an aggregate of up to 72,000,000 top-up placing shares of the Company at the top-up placing price of HK\$1.25 per share (the "Top-up Placing"); and (ii) China New Way agreed to subscribe for up to 72,000,000 top-up subscription shares of the Company at the top-up subscription price of HK\$1.25 per share (the "Top-up Subscription") which is equivalent to the top-up placing price.

The Top-up Placing and the Top-up Subscription were completed on 6 May 2016 and 11 May 2016, respectively. An aggregate of 72,000,000 top-up placing shares of the Company were placed to not less than six placees at the top-up placing price of HK\$1.25 per share; and 72,000,000 top-up subscription shares of the Company were allotted and issued to China New Way at the top-up subscription price of HK\$1.25 per share. The net proceeds (after deducting the commission payable to the placing agent, professional fee and other related costs and expenses in relation to the Top-up Placing and the Top-up Subscription) from the Top-up Subscription are approximately HK\$86,000,000. Details regarding the Top-up Placing and the Top-up Subscription and their completions are set out in the Company's announcements dated 3 May 2016 and 11 May 2016, respectively.

17 NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the six months ended 30 September 2015, the Group entered into hire purchase contract and finance lease arrangements in respect of plant and machinery and motor vehicles with a total capital value at the inception of the hire purchases and leases of HK\$19,279,000.

Save as disclosed above, the Group did not have other major non-cash transactions of investing and financing activities during the six months ended 30 September 2015 and 2016.

18 BUSINESS COMBINATIONS

The Group acquired the following two subsidiaries during the period ended 30 September 2016:

- (i) In May 2016, the Group acquired additional 10% equity interest in Hong Kong OVM Engineering Company Limited ("HKOVM", a then associate in which the Group had 45% equity interest) through a capital injection of HK\$2,500,000. HKOVM is principally engaged in the provision of construction works in Hong Kong.
- (ii) In June 2016, the Group acquired 60% equity interest in Grand View Properties Limited ("Grand View", a then associate in which the Group had 40% equity interest) and a shareholder's loan of HK\$129,170,000 from an independent third party at a total cash consideration of HK\$160,800,000. Grand View is principally engaged in the property development and investment in Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

18 BUSINESS COMBINATIONS *(Continued)*

The aggregate fair values of the identifiable assets and liabilities of these entities as at the dates of acquisition were as follows:

	Six months ended 30 September 2016 (Unaudited) HK\$'000
Property, plant and equipment	1,377
Investment properties (note 11)	313,000
Deferred tax assets	7,189
Amounts due from contract customers	4,510
Trade receivables	4,205
Prepayments, deposits and other receivables	4,989
Cash and bank balances	8,115
Trade payables	(2,456)
Other payables and accruals	(107,233)
Hire purchase contract and finance lease payables	(40)
Deferred tax liabilities	(17,695)
	<hr/> 215,961
Non-controlling interests	(868)
	<hr/> 215,093
Gain on bargain purchase of a subsidiary recognised in profit or loss (note 4)	(19,282)
	<hr/> 195,811
Satisfied by:	
Cash	163,300
Reclassification of interests in associates held prior to the acquisition to interests in subsidiaries	32,511
	<hr/> 195,811

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

18 BUSINESS COMBINATIONS *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Six months ended 30 September 2016 (Unaudited) HK\$'000
Cash and bank balances acquired	8,115
Cash consideration	(163,300)*
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(155,185)
	<hr/>

* The acquisitions were mainly financed by new bank loans of HK\$160,000,000.

Had the business combinations taken place at the beginning of the period, the Group's revenue and the profit for the period ended 30 September 2016 would have been HK\$4,545,025,000 and HK\$50,587,000, respectively.

19 SALE OF PROPERTY INTERESTS THROUGH DISPOSAL OF A SUBSIDIARY

On 31 July 2015, pursuant to a sale and purchase agreement entered into between the Group and two individuals independent to the Group, the Company disposed of (i) its entire equity interest in Profit City, a then wholly-owned subsidiary of the Group; and (ii) assigned the Group's interest in loans of HK\$27,635,000 in total owed by Profit City to the two individuals for a total consideration of HK\$230,000,000. As a result of the transaction, a gain of disposal of HK\$199,528,000 is recognised in profit or loss for the six months ended 30 September 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

19 SALE OF PROPERTY INTERESTS THROUGH DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the assets and liabilities derecognised as a result of the above disposal is as follows:

	Six months ended 30 September 2015 (Unaudited) HK\$'000
Net assets disposed of:	
Investments in associates	27,530
Expenses incurred for the disposal	2,942
Gain on sale of property interests through disposal of a subsidiary (note 4)	199,528
	230,000
Satisfied by cash	230,000

An analysis of the net inflow of cash and cash equivalents as a result of the above disposal is as follows:

	Six months ended 30 September 2015 (Unaudited) HK\$'000
Cash consideration	230,000
Deposits received	(20,000)
Expenses incurred for the disposal	(2,942)
Net inflow of cash and cash equivalents in respect of sale of property interests through disposal of a subsidiary	207,058

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

20 COMMITMENTS

The Group had the following commitments at the end of the reporting period:

(a) Capital commitments

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of a subsidiary	35,775	144,720
Acquisition of items of plant and machinery	1,043	3,344
	<hr/>	<hr/>
Total capital commitments	36,818	148,064
	<hr/>	<hr/>

(b) Property development and investment commitments

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Residential developments	11,749	9,077
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

21 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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	906,105	676,313
– joint operations	294,225	388,291
	1,200,330	1,064,604
Guarantees issued to financial institutions to secure credit facilities granted to associates (note (ii))	290,900	298,100
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	147,500	165,252
	1,638,730	1,527,956

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

21 CONTINGENT LIABILITIES *(Continued)*

(a) Corporate guarantees and performance bonds given *(Continued)*

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

(b) Litigations

- (i) In or about August 2013, a subsidiary of the Company commenced legal proceedings to seek payment for an outstanding amount of approximately HK\$335 million against the contract customer of a construction contract in respect of the Tsz Shan Monastery project undertaken by the Group in prior years. The hearing was completed in May 2016 and the judge handed down the judgement on 19 August 2016. The judge awarded a sum to the subsidiary after allowing the defendant's counterclaim. The recovery of legal costs from the defendant will be determined by the court in or about February 2017.

Based on latest information and legal advice available to the Group on the amount of legal costs that is expected to be recovered from the defendant, the Group recognised a loss of HK\$36.4 million in profit or loss during the six months ended 30 September 2016 as a result of this litigation.

- (ii) In or about December 2013 and March 2014, a plaintiff commenced two separate legal proceedings against a subsidiary of the Company and the Company, respectively alleging that the termination of a proposed transaction in relation to the sale of commercial development and 49% interest in the car park development at No. 8 Clear Water Bay Road (collectively the "Properties") was wrongful and claimed for the loss of capital appreciation of the Properties for the breach of a memorandum entered into between the plaintiff and a subsidiary of the Company in September 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

21 CONTINGENT LIABILITIES *(Continued)*

(b) Litigations *(Continued)*

(ii) *(Continued)*

The plaintiff and the subsidiary of the Company have completed the pleadings stage and have exchanged their witness statements in March 2015 and produced their expert reports on 1 April 2016. The parties have exchanged the supplemental expert report on 18 October 2016. The 4th Case Management Conference will be held on 1 December 2016 to seek further direction from the court.

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

The parties have completed the pleadings stage and have exchanged their witness statements in August 2016. Joint expert has been appointed and will complete the joint report at the end of November 2016. The 3rd Case Management Conference is adjourned to 1 March 2017.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

22 RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the condensed consolidated interim financial information, the Group entered into the following material transactions with related parties during the period:

		Six months ended	
		30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Associates:			
Management fee income	(i)	3,000	4,500
Interest expense paid and payable to a director-controlled corporation			
	(ii)	–	5,438

Notes:

- (i) The transaction prices were determined by reference to the prevailing market rates.
- (ii) The interest expense was paid to Talent Effort Limited on the unsecured bond of HK\$150,000,000 which bears interest at the rate of 7.25% per annum and was fully redeemed by the Company on 14 October 2015.
- (b) Outstanding balances and other transactions with related parties:

Details of the guarantees given by the Group for banking facilities granted to associates are disclosed in note 21(a) to the condensed consolidated interim financial information.

- (c) Compensation of key management personnel of the Group

Key management personnel of the Group solely represents directors of the Company. The emoluments of directors, the Group's key management personnel during the period were HK\$4,803,000 (six months ended 30 September 2015: HK\$4,397,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

23 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities included in the level 2 and level 3 categories have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties;
- the fair values of financial guarantee contracts are determined based on the present value of expected payments when default occurs, where the main assumptions are the probability of default by the specific counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate to their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

23 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2016 Level 1 (Unaudited) HK\$'000	31 March 2016 Level 1 (Audited) HK\$'000
Equity investments at fair value through profit or loss	127	147

During the period, there were no transfers between level 1 and level 2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

24 EVENTS AFTER THE REPORTING PERIOD

- (a) On 30 July 2016, an indirect wholly-owned subsidiary of the Company as the buyer entered into a share purchase agreement with an independent third party as the seller in relation to the acquisition of 70% equity interest in a limited company incorporated in Singapore (the “Target Company”) from the seller (the “Singapore Acquisition”). The Target Company is principally engaged in the provision of engineering and architecture consultancy services in Singapore.

The Singapore Acquisition was completed on 1 November 2016 and the Target Company has become an indirect non-wholly-owned subsidiary of the Company since then.

Further details of the Singapore Acquisition are set out in the Company’s announcements dated 10 May 2016, 30 July 2016 and 1 November 2016.

- (b) In or about late October 2016, Chun Wo Building Construction Limited (“CWB”) commenced legal proceedings against Loyal Pioneer Limited (“Loyal Pioneer”) in respect of a design and construction contract for STTL 601 Ma On Shan Project (the “Project”) to seek an outstanding amount of approximately HK\$216 million of the work undertaken by the Group in prior year. Up to the date of this report, CWB has applied to the court for default judgement.

Besides, in or about late October 2016, Success Will Development Limited (“SWD”), a subsidiary of the Company, being a 10% shareholder of Loyal Pioneer, commenced legal proceedings against China City Construction Property Company Limited (“CCCP”), the 90% shareholder of Loyal Pioneer, and China City Construction (International) Co., Limited (“CCCI”), the guarantor of CCCP under the Project, requesting the defendant(s) to inject working capital for financing the development of the Project. The Group is now awaiting the Statement of Defence to be served (if any) by the defendant(s) to SWD in or about mid-December 2016.

Further details are set out in the Company’s announcement dated 1 November 2016.

- (c) On 4 November 2016, an indirect wholly-owned subsidiary of the Company as the vendor (the “Vendor”) entered into a provisional agreement (the “Provisional Agreement”) with an independent third party as the purchaser (the “Purchaser”) and the guarantor for the disposal of the entire issued share capital of Grand View, a direct wholly-owned subsidiary of the Vendor, together with the shareholder’s loan owed by Grand View to the Vendor as at completion of the disposal (the “Disposal”) for a total consideration of HK\$295 million (the “Consideration”). The principal assets of Grand View are the shops and car park spaces of Grand View Garden located at No. 185 Hammer Hill Road, Kowloon, Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

24 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) *(Continued)*

After taking into account the Consideration, net asset value of Grand View as at the date of the Provisional Agreement and the related transaction costs, it is estimated that an unaudited gain of approximately HK\$6 million will be recorded in respect of the Disposal.

Completion of the Disposal is subject to the fulfilment of the conditions precedent as stipulated in the Provisional Agreement. Up to the date of this report, the transaction has not yet been completed. Further details of the Disposal are set out in the Company's announcement dated 4 November 2016.

(d) On 31 October 2016, the Company won the tender of a residential property development project at Waterloo Road, Kowloon, Hong Kong (the "Waterloo Project") from an independent third party for a cash consideration of HK\$668 million.

(e) As disclosed in the announcement of the Company dated 18 November 2016, the Company proposes to raise not less than approximately HK\$339 million and not more than approximately HK\$374 million (before expenses) by way of an open offer (the "Open Offer") involving the issue of not less than 495,538,992 and not more than 546,353,164 shares of the Company (the "Offer Shares"), respectively, at the subscription price of HK\$0.684 per Offer Share on the basis of one Offer Share for every three existing shares of the Company held on the record date for the Open Offer. Pursuant to an underwriting agreement dated 18 November 2016 (the "Underwriting Agreement") entered into between the Company and the underwriter of the Open Offer (the "Underwriter"), any Offer Share not taken up by the qualifying shareholders of the Company will be fully underwritten by the Underwriter.

The Company intends to apply the net proceeds from the Open Offer as (i) general working capital of the Group, and (ii) for the development of Waterloo Project, (including repayment of all or part of the indebtedness arising from the Waterloo Project).

The Open Offer is conditional upon the fulfillment of the conditions of the Open Offer as set out in the Underwriting Agreement and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Further details of the Open Offer are set out in the Company's announcement dated 18 November 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

24 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

- (f) In order to finance the Waterloo Project as discussed in note 24(d) above, on 19 November 2016, the Group has obtained an unsecured loan with a principal amount of HK\$158 million from GT Winners Limited, which is owned as to 45% by Mr. Pang Yat Ting, Dominic (“Mr. Pang”), a non-executive Director and Co-Chairman of the Company. The loan is unsecured, bears interest at 1.48% per annum and is repayable in 6 months. Mr. Pang is a connected person of the Company under Chapter 14A of the Listing Rules but the loan is exempt from announcement, reporting and independent shareholders’ approval requirement pursuant to Rule 14A.90 of the Listing Rules.
- (g) On 20 November 2016, the Company entered into a subscription agreement (the “Subscription Agreement”) with an independent third party as the subscriber (the “Subscriber”) in relation to the subscription by the Subscriber of 10% convertible bonds due 2017 with a principal amount of approximately HK\$214 million to be issued by the Company (the “Subscription”), which entitle the holder(s) thereof to subscribe for 297,323,395 shares of the Company at the initial conversion price of HK\$0.72 per conversion share (subject to adjustments).

The net proceeds will be used for the development of the Waterloo Project (including repayment of all or part of the indebtedness arising from the Waterloo Project).

Completion of the Subscription is subject to the conditions precedent to the Subscription Agreement to be fulfilled and/or waived (as the case may be). Further details of the Subscription are set out in the Company’s announcement dated 20 November 2016.

25 OTHER INFORMATION

- (a) On 4 November 2015, AAI Investments Holdings Limited (“AAI Investments”, formerly known as China City Construction Investments Holdings Limited or Leading Top Investments Limited, a direct wholly-owned subsidiary of the Company, as purchaser) entered into a sale and purchase agreement with China Chengjian Investment Limited (“China Chengjian”, as vendor), pursuant to which AAI Investments conditionally agreed to acquire and China Chengjian conditionally agreed to sell the entire issued share capital of CCCC Development Limited (“CCCC Development”) (the “Target Shares”) at a cash consideration of HK\$660 million (the “Acquisition of CCCC Development”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

25 OTHER INFORMATION *(Continued)*

(a) *(Continued)*

CCCC Development, 中城建第四工程局集團有限公司* (“CCCC Fourth”), 中城建第十三工程局有限公司** (“CCCC Thirteenth”) and their respective subsidiaries (the “Target Group”) are principally engaged in building construction, Public-Private Partnership project construction, urban infrastructure construction, government and public facility construction and primary land development.

The Acquisition of CCCC Development constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Further details of the Acquisition of CCCC Development are set out in the Company’s announcement and circular dated 4 November 2015 and 25 December 2015, respectively. On 25 April 2016, the Company announced that the Acquisition of CCCC Development was completed as the conditions precedent to the completion had been fulfilled (the “Completion”).

On 25 August 2016, the Group entered into an agreement (the “Agreement”) with China Chengjian, pursuant to which both parties agreed that the Completion should be treated as having not yet taken place as the Group could not exercise its control over the account and finances of the Target Group. The first deposit paid of HK\$198 million was regarded as being held by China Chengjian on trust for the Group, and the Target Share, the 50% equity interest in CCCC Fourth and the 50% equity interest in CCCC Thirteenth were regarded as being held by the Group on trust for China Chengjian. Therefore, the management is in the opinion that CCCC Development and its subsidiaries should not be accounted for as subsidiaries of the Company during the period from 25 April 2016 to 30 September 2016.

Further details of the Agreement are set out in the Company’s announcement and circular dated 25 August 2016 and 30 September 2016, respectively.

* *Transliterated as China City Construction Fourth Engineering Bureau Group Co., Limited (formerly known as 中城建第四工程局有限公司, transliterated as China City Construction Fourth Engineering Bureau Co., Ltd.)*

** *Transliterated as China City Construction Thirteenth Engineering Bureau Co., Ltd*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

25 OTHER INFORMATION *(Continued)*

- (b) On 31 August 2016, an application was submitted to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the proposed spin-off (the “Proposed Spin-off”) and a separate listing (the “Separate Listing”) of its professional services business (provision of security and facility management solutions) on the Growth Enterprise Market of the Stock Exchange. As at the date of this report, the Proposed Spin-off is still under consideration by the Stock Exchange.

Details regarding the Proposed Spin-off and the Separate Listing are set out in the Company’s announcements dated 6 May 2016 and 31 August 2016.

- (c) On 29 September 2016, the Group entered into a non-legally binding memorandum of understanding with an independent third party in relation to a potential disposal of the entire equity interest in Citytop Group Limited, a wholly-owned subsidiary of the Company. Citytop Group Limited holds the entire equity interest in 石家莊俊景房地產開發有限公司 and the major assets of which are certain unsold properties and a piece of land located in Shijiazhuang City, the People’s Republic of China. Up to the date of this report, the management considers that the disposal transaction is still under preliminary negotiation and therefore the relevant subsidiaries are not accounted for as disposal group held for sales under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as at 30 September 2016.

26 APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 29 November 2016.

OTHER INFORMATION

INTERIM DIVIDEND

The Board of Directors of the Company (the “Board” or the “Directors”) has resolved not to declare an interim dividend for the six months ended 30 September 2016 (2015: Nil).

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Interests of the Directors in the ordinary shares of the Company (Long Positions)

Directors	Capacity	Note	Number of ordinary shares held	% of the Company's issued share capital
Mr. Pang Yat Ting, Dominic	Beneficial owner		5,680,000	0.38%
	Interests of controlled corporation	1	939,451,714	63.19%
Ir Dr. Pang Yat Bond, Derrick	Beneficial owner		7,326,000	0.49%

Note:

1. GT Winners Limited (“GT Winners”) was owned as to 45% by Mr. Pang Yat Ting, Dominic. By virtue of the SFO, he was deemed to be interested in the ordinary shares of the Company in which GT Winners had or was deemed to have interest. The details of such interests of GT Winners are set out in the following section headed “Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares”.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 2016, the following shareholders (other than Directors or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being interested or deemed to have interest in 5% or more of the issued share capital of the Company:

Shareholders	Capacity	Notes	Number of ordinary shares/ underlying shares held	% of the Company's issued share capital
New Way International Investment Holdings Limited ("New Way International")	Interests of controlled corporation	1	837,008,830	56.30%
China New Way Investment Limited ("China New Way")	Beneficial owner	1, 3	737,008,830	49.58%
	Interests of controlled corporation	1	100,000,000	6.72%
New Way Strategic Investment Ltd. ("New Way Strategic")	Beneficial owner	1, 3	100,000,000	6.72%
China City Construction (International) Co., Limited ("CCCI")	Beneficial owner	2	281,500,000	18.93%
北京中治安順達建設總公司 (transliterated as Beijing MIC Anshunda Construction Corporation) ("Beijing Anshunda")	Interests of controlled corporation	2	281,500,000	18.93%
海南警鑫企業(集團)公司 (transliterated as Hainan Jingxin Enterprise (Group) Company) ("Hainan Jingxin")	Interests of controlled corporation	2	281,500,000	18.93%
北京中治投資有限公司 (transliterated as Beijing MIC Investment Co., Ltd.) ("Beijing MIC Investment")	Interests of controlled corporation	2	281,500,000	18.93%

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

Shareholders	Capacity	Notes	Number of ordinary shares/ underlying shares held	% of the Company's issued share capital
寧波甬惠尚誠拾三號投資合夥企業 (有限合夥) (transliterated as Ningbo Yonghui Shangcheng No. 13 Investment Partnership Enterprise) ("Ningbo Yonghui")	Interests of controlled corporation	2	281,500,000	18.93%
Mr. Wei Lidong ("Mr. Wei")	Interests of controlled corporation	2	281,500,000	18.93%
北京尚融資本管理有限公司 (transliterated as Beijing Shang Finance Management Co., Ltd.) ("Beijing Shang Finance")	Interests of controlled corporation	2	281,500,000	18.93%
北京惠農資本管理有限公司 (transliterated as Beijing Huinong Capital Management Co., Ltd.) ("Beijing Huinong")	Interests of controlled corporation	2	281,500,000	18.93%
寧波久尚佳融投資諮詢有限公司 (transliterated as Beijing Jiushangjiarong Investment Consultant Company Limited) ("Ningbo Jiushangjiarong")	Interests of controlled corporation	2	281,500,000	18.93%
寧波惠農港灣股權投資合夥企業 (有限合夥) (transliterated as Ningbo Huinong Gangwan Equity Investment Partnership (Limited Partner)) ("Ningbo Huinong Gangwan")	Interests of controlled corporation	2	281,500,000	18.93%

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

Shareholders	Capacity	Notes	Number of ordinary shares/ underlying shares held	% of the Company's issued share capital
Huinong Fund International Investments Ltd. ("Huinong Fund International")	Interests of controlled corporation	2	281,500,000	18.93%
CCCC Holdings Ltd. ("CCCC Holdings")	Interests of controlled corporation	2	281,500,000	18.93%
China City Development Academy International Co., Limited ("CCD Academy")	Interests of controlled corporation	2	281,500,000	18.93%
中城建國際科技發展(北京)有限公司 (transliterated as China City Construction International Technology Development (Beijing) Company Limited) ("CCCI Technology")	Interests of controlled corporation	2	281,500,000	18.93%
中國城市建設控股集團有限公司 (transliterated as China City Construction Holding Group Co., Limited) ("CCC Holding")	Interests of controlled corporation	2	281,500,000	18.93%
GT Winners	Beneficial owner	3	102,442,884	6.89%
	Security interests	3	837,008,830	56.30%
Madam Li Wai Hang, Christina ("Madam Li")	Beneficial owner	3	10,880,875	0.73%
	Interests of controlled corporation	3	939,451,714	63.19%

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. New Way Strategic was wholly-owned by China New Way, which was in turn wholly-owned by New Way International. By virtue of the SFO, China New Way was deemed to be interested in the shares of the Company held by New Way Strategic; and New Way International was deemed to be interested in the shares of the Company held by China New Way and New Way Strategic.
2. These represent (i) a beneficial interest in 130,000,000 ordinary shares of the Company held by CCCI, representing approximately 8.74% of the issued share capital of the Company; and (ii) a beneficial interest in 151,500,000 underlying shares of the Company pursuant to certain convertible bonds of the Company held by CCCI, representing approximately 10.19% of the issued share capital of the Company.

CCCI was wholly-owned by CCC Holding, which was in turn owned as to 51% by Beijing MIC Investment and 49% by CCCI Technology. Beijing MIC Investment was owned as to 57.97% by Beijing Anshunda and 34.87% by Hainan Jingxin. CCCI Technology was wholly-owned by CCD Academy; and CCD Academy was owned as to 99% by CCCC Holdings. CCCC Holdings was wholly-owned by Huinong Fund International, which was in turn wholly-owned by Ningbo Huinong Gangwan. Ningbo Yonghui was interested in 80% of the equity interest in Ningbo Huinong Gangwan; and Ningbo Huinong Gangwan was accustomed to act in accordance with the directions of Ningbo Jiushangjiarong, which was interested in 0.09% of the equity interest in Ningbo Huinong Gangwan. Ningbo Jiushangjiarong was wholly-owned by Beijing Huinong, which was in turn owned as to 98% by Beijing Shang Finance and 2% by Mr. Wei. Beijing Shang Finance was owned as to 99.83% by Mr. Wei.

By virtue of the SFO, each of Beijing Anshunda, Hainan Jingxin, Beijing MIC Investment, Ningbo Yonghui, Mr. Wei, Beijing Shang Finance, Beijing Huinong, Ningbo Jiushangjiarong, Ningbo Huinong Gangwan, Huinong Fund International, CCCC Holdings, CCD Academy, CCCI Technology and CCC Holding was deemed to be interested in the shares and the underlying shares of the Company held or deemed to be held by CCCI.

3. These represent (i) a beneficial interest in 102,442,884 ordinary shares of the Company held by GT Winners; (ii) a security interest in which GT Winners was deemed to be interested by virtue of the SFO over a total of 837,008,830 ordinary shares of the Company held by China New Way and New Way Strategic; and (iii) a beneficial interest in 10,880,875 ordinary shares of the Company held by Madam Li.

GT Winners was owned as to 45% by Madam Li. By virtue of the SFO, Madam Li was deemed to be interested in the ordinary shares of the Company in which GT Winners had or was deemed to have interest.

Save as disclosed above, as at 30 September 2016, the Company had not been notified of any other person or corporation (other than Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME

The Company adopted the current share option scheme (the “Scheme”) on 3 September 2012. During the six months ended 30 September 2016, there has been no outstanding share option granted to any eligible participants under the Scheme.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 24 to the Condensed Consolidated Interim Financial Information contained in this report.

EQUITY FUND RAISING ACTIVITIES

During the period under review, the Company entered into a placing and subscription agreement with China New Way and the placing agent on 3 May 2016, pursuant to which (i) China New Way agreed to place, through the placing agent, an aggregate of up to 72,000,000 top-up placing shares of the Company at the top-up placing price of HK\$1.25 per share (the “Top-up Placing”); and (ii) China New Way agreed to subscribe for up to 72,000,000 top-up subscription shares of the Company at the top-up subscription price of HK\$1.25 per share (the “Top-up Subscription”) which is equivalent to the top-up placing price.

The Top-up Placing and the Top-up Subscription were completed on 6 May 2016 and 11 May 2016 respectively. An aggregate of 72,000,000 top-up placing shares of the Company were placed to not less than six placees at the top-up placing price of HK\$1.25 per share; and 72,000,000 top-up subscription shares of the Company were allotted and issued to China New Way at the top-up subscription price of HK\$1.25 per share. Details of the Top-up Placing and Top-up Subscription are set out in the announcements of the Company dated 3 May 2016 and 11 May 2016.

The net proceeds (after deducting the commission payable to the placing agent, professional fee and other related costs and expenses in relation to the Top-up Placing and the Top-up Subscription) from the Top-up Subscription were approximately HK\$86 million, which has been applied as below:

- (i) approximately HK\$28 million was used for the acquisition of an engineering and architecture consultancy company in Singapore; and
- (ii) approximately HK\$58 million was used for bank loan repayment of the Group.

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

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

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE

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

Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election while one of the Co-Chairmen of the Company, who is also a non-executive Director, was appointed with no specific term and not subject to re-election. Moreover, pursuant to code provision A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years, while the Co-Chairmen and the Managing Director of the Company were not subject to retirement by rotation.

At the special general meeting of the Company held on 31 October 2016, a special resolution was passed to amend the provisions in the bye-laws of the Company in relation to retirement and re-election of Directors in general meetings in compliance with the code provisions. As for the provision that non-executive directors should be appointed for a specific term, the Board considers that the stability and continuity of the services of the Co-Chairman of the Company are essential for the effective long-term strategic planning of the Group and its implementation and believes that the present arrangement is beneficial to the Company and its shareholders as a whole.

NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21 AND 3.25 OF LISTING RULES AND CODE PROVISION A.5.1 OF THE CODE

After the reporting period, following the resignation of two independent non-executive Directors on 25 October 2016, the Board comprises three executive Directors, two non-executive Directors and one independent non-executive Director. As a result, the number of independent non-executive directors of the Company has fallen below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules, and the Company has simultaneously failed to meet the requirement set out in Rule 3.10(2) of the Listing Rules which stipulates that at least one independent non-executive Director must have appropriate professional qualifications or accounting or related financial management expertise. In addition, the Company is not in compliance with the requirements set out under the Listing Rules in (i) Rule 3.21 with regard to the composition of the audit committee of the Board (the "Audit Committee"); (ii) Rule 3.25 with regard to the composition of the remuneration committee of the Board; and (iii) code provision A.5.1 of the Code with regard to the composition of the nomination committee of the Board.

OTHER INFORMATION *(Continued)*

NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21 AND 3.25 OF LISTING RULES AND CODE PROVISION A.5.1 OF THE CODE

(Continued)

The Company considers that the failure of meeting the abovementioned requirements of the Listing Rules are temporary in nature and the Company will endeavour to ensure that the vacancies are filled as soon as practicable, with the relevant appointments to be made within three months from the date of such non-compliance to meet the requirements under the Listing Rules as provided in Rules 3.11, 3.23 and 3.27 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

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

REVIEW BY THE COMPANY'S AUDITORS AND AUDIT COMMITTEE

The auditors of the Company have reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016. 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 2016.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the publication of the 2015/16 Annual Report of the Company are set out below:

- Mr. Zhang Xiaoliang, a non-executive Director, was appointed as a director of New Way International, China New Way and New Way Strategic; and
- Mr. Chow Wing Kin, Anthony SBS, JP, a non-executive Director who resigned on 12 October 2016, retired as an independent non-executive director of Fountain Set (Holdings) Limited (stock code: 00420) on 24 June 2016.

Save as disclosed above, there is no change of information of each Director that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHAIRMEN'S APPRECIATION

On behalf of the Group, we would like to express our utmost gratitude to every member of the Board and all the staff who make up the Group's workforce for their tireless efforts and unwavering commitment. We wish to further extend our gratitude to our business partners and shareholders for their trust and support. In the future, we will seek to capture more opportunities that help bolster our core businesses, leading to the sustained growth of the Group and greater returns for our shareholders.

By Order of the Board

**ASIA ALLIED INFRASTRUCTURE
HOLDINGS LIMITED**

Xu Jianhua

Co-Chairman

Pang Yat Ting, Dominic

Co-Chairman

Hong Kong, 29 November 2016