ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
Property sales (including joint venture projects)	**RMB17,225 million**	RMB15,874 million
Property delivery (including joint venture projects)	**RMB6,191 million**	RMB2,609 million
Toll revenue from expressway toll road	**RMB1,470 million**	RMB1,272 million
Profit for the period	**HK$1,160 million**	HK$375 million
Earnings per share	**HK$1.08**	HK$0.38
Interim dividend per share	**HK$0.30**	HK$0.15
Gross profit margin	**47%**	32%

	30 June 2018	31 December 2017
Total assets	**HK$77,155 million**	HK$69,735 million
Bank balances and cash	**HK$9,976 million**	HK$8,552 million
Equity attributable to owners of the Company	**HK$15,701 million**	HK$15,635 million
Net assets per share attributable to owners of the Company	**HK$20.95**	HK$20.90
Net gearing ratio	**49%**	54%

RESULTS

The Board of Directors (the "Board") of Road King Infrastructure Limited (the "Company") announces the unaudited condensed consolidated statement of profit or loss and unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 together with audited comparative figures as at 31 December 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
Revenue			
Property sale and management income	*3A*	**5,558,886**	3,104,801
Other revenue		**162,778**	60,839
Total revenue	*3B*	**5,721,664**	3,165,640
Cost of sales		**(3,029,012)**	(2,168,378)
Gross profit		**2,692,652**	997,262
Interest income		**446,932**	163,072
Other income		**13,754**	23,742
Other gains and losses	*5*	**(27,034)**	170,130
Selling expenses		**(273,695)**	(297,491)
Administrative expenses		**(455,551)**	(358,142)
Share of result of an associate		**(5,774)**	(4,519)
Share of results of joint ventures	*6*	**438,154**	229,706
Finance costs	*7*	**(280,817)**	(156,469)
Profit before taxation	*8*	**2,548,621**	767,291
Income tax expenses	*9*	**(1,388,984)**	(392,672)
Profit for the period		**1,159,637**	374,619
Profit attributable to:			
Owners of the Company		**808,123**	283,879
Owners of perpetual capital securities		**174,915**	71,923
Non-controlling interests of subsidiaries		**176,599**	18,817
		1,159,637	374,619
Earnings per share	*11*		
– Basic		**HK$1.08**	HK$0.38
– Diluted		**HK$1.08**	HK$0.38

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**1,159,637**	374,619
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	**(110,580)**	134,224
Total comprehensive income for the period	**1,049,057**	508,843
Total comprehensive income attributable to:		
Owners of the Company	**699,223**	408,282
Owners of perpetual capital securities	**174,915**	71,923
Non-controlling interests of subsidiaries	**174,919**	28,638
	1,049,057	508,843

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**140,816**	121,137
Investment properties		**2,615,084**	2,583,810
Interest in an associate		**817,719**	825,405
Interests in joint ventures		**8,753,547**	6,464,609
Amounts due from joint ventures		**11,159,388**	8,270,231
Loan receivables		**188,045**	1,115,465
Long-term prepayments		**70,200**	70,020
Deferred tax assets		**53,151**	40,907
		23,797,950	19,491,584
Current assets			
Inventory of properties		**30,381,072**	30,216,830
Prepayment for land leases		**599,762**	186,524
Amounts due from joint ventures		**6,238,926**	6,622,181
Loan receivables		**1,311,886**	744,203
Debtors, deposits and prepayments	*12*	**3,396,562**	3,082,346
Prepaid income tax		**1,227,326**	635,347
Other financial assets		–	5,889
Pledged bank deposits		**225,474**	198,337
Bank balances and cash		**9,976,124**	8,552,217
		53,357,132	50,243,874
Total assets		**77,155,082**	69,735,458

	NOTES	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**74,934**	74,814
Reserves		**15,626,363**	15,560,264
		15,701,297	15,635,078
Perpetual capital securities		**4,633,295**	4,633,096
Non-controlling interests of subsidiaries		**1,366,694**	1,346,252
Total equity		**21,701,286**	21,614,426
Non-current liabilities			
Bank and other borrowings		**15,833,478**	15,818,724
Deferred tax liabilities		**870,756**	784,083
		16,704,234	16,602,807
Current liabilities			
Creditors and accrued charges	*13*	**8,237,811**	8,362,246
Amounts due to joint ventures and an associate		**1,401,868**	779,411
Contract liabilities/deposits from pre-sale of properties		**21,800,864**	15,356,682
Income tax payable		**2,411,372**	2,445,243
Bank and other borrowings		**4,895,736**	4,574,643
Other financial liabilities		**1,911**	–
		38,749,562	31,518,225
Total equity and liabilities		**77,155,082**	69,735,458

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *"Revenue from Contracts with Customers"*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or service is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining the contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs (sales commissions to intermediaries) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.1.1 Summary of effects arising from initial application of HKFRS 15

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 June 2018

	Notes	**As reported** *HK$'000*	**Remeasurement** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current assets				
Inventory of properties	*(a)*	**30,381,072**	**(570,445)**	**29,810,627**
Capital and reserves				
Retained profits	*(a)*	**7,389,845**	**184,327**	**7,574,172**
Foreign currency translation reserve	*(a)*	**1,628,150**	**(1,057)**	**1,627,093**
		9,017,995	**183,270**	**9,201,265**
Current liabilities				
Contract liabilities/deposits from pre-sale of properties	*(a)*	**21,800,864**	**(753,715)**	**21,047,149**

Impact on the condensed consolidated statement of profit or loss for the period ended 30 June 2018

	Notes	As reported HK$'000	Remeasurement HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	*(b)*	**5,721,664**	**(111,414)**	**5,610,250**
Cost of sales	*(b)*	**(3,029,012)**	**111,414**	**(2,917,598)**
Finance costs	*(a)*	**(280,817)**	**127,250**	**(153,567)**

Notes:

(a) At 30 June 2018, significant financing component on property sales contracts of HK$753,715,000 were recognised in the contract liabilities under HKFRS 15 and the amount included the portion that was eligible to be capitalised to inventory of properties amounting to HK$570,445,000 and the remaining portion of HK$183,270,000 was not eligible for capitalisation to inventory of properties, which included in it HK$57,077,000 was recognised in retained profits, HK$127,250,000 was recognised in finance costs for the current period and HK$1,057,000 was recognised in translation reserve.

(b) During the period ended 30 June 2018, the amount of significant financing component on property sales contracts amounting to HK$111,414,000 included in the inventory of properties and contract liabilities has been transferred to revenue and costs of sales respectively upon the transfer of the control of the properties to the buyers.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *"Financial Instruments"*

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the retained profits and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the financial assets under HKFRS 9 have no significant impact to the Group.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivables, amounts due from joint ventures and lease receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents that ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment in accordance with the requirements of HKFRS 9. The Group considers there is no material impact to the Group's financial results and position.

2.3 Impacts and changes in accounting policies of application on Amendments to HKAS 40 *"Transfers of Investment Property"*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of the new standard

	Notes	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	**1 January 2018 (Restated) HK$'000**
Non-current assets				
Items with no adjustments		19,491,584	–	**19,491,584**
Current assets				
Inventory of properties	*(a)*	30,216,830	389,468	**30,606,298**
Items with no adjustments		20,027,044	–	**20,027,044**
		50,243,874	389,468	**50,633,342**
Total assets		69,735,458	389,468	**70,124,926**
Capital and reserves				
Share capital		74,814	–	**74,814**
Reserves	*(a)*	15,560,264	(57,077)	**15,503,187**
Equity attributable to owners of the Company		15,635,078	(57,077)	**15,578,001**
Perpetual capital securities		4,633,096	–	**4,633,096**
Non-controlling interests of subsidiaries		1,346,252	–	**1,346,252**
Total equity		21,614,426	(57,077)	**21,557,349**
Non-current liabilities		16,602,807	–	**16,602,807**
Current liabilities				
Deposits from pre-sale of properties	*(b)*	15,356,682	(15,356,682)	**–**
Contract liabilities	*(a) & (b)*	–	15,803,227	**15,803,227**
Items with no adjustments		16,161,543	–	**16,161,543**
		31,518,225	446,545	**31,964,770**
Total equity and liabilities		69,735,458	389,468	**70,124,926**

Notes:

(a) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customer and the customer paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (deposits from pre-sale of properties) is recognised in accounting for the contract with the customers and by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs eligible for capitalisation amounting to HK$389,468,000 have been adjusted to the inventory of properties and finance costs of HK$57,077,000 have been adjusted to retained profits with corresponding adjustment of HK$446,545,000 to contract liabilities.

(b) At the date of initial application, deposits from pre-sale of properties of HK$15,356,682,000 were reclassified to contract liabilities.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

3A. Disaggregation of the Group's revenue from contracts with customers

	Six months ended 30 June 2018		
By segment	**Property development and investment** *HK$'000*	**Investment and asset management** *HK$'000*	**Total** *HK$'000*
Types of goods or services			
Property sale	**5,356,752**	**11,667**	**5,368,419**
Property management income	**190,467**	**–**	**190,467**
Total revenue from contracts with customers	**5,547,219**	**11,667**	**5,558,886**
Geographical market			
Mainland China	**5,547,219**	**11,667**	**5,558,886**
Timing of revenue recognition			
Goods recognised at a point in time	**5,356,752**	**11,667**	**5,368,419**
Services recognised over time	**190,467**	**–**	**190,467**
Total revenue from contracts with customers	**5,547,219**	**11,667**	**5,558,886**

3B. Total Revenue of the Group

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Property sale and management income	*3A*	**5,558,886**	3,104,801
Gross rental and other income from properties		**58,088**	39,720
Fund investment income		**104,690**	21,119
Total revenue of the Group		**5,721,664**	3,165,640
Group's share of revenue of property joint ventures		**1,156,554**	–
Group's share of toll revenue of infrastructure joint ventures		**763,633**	631,584
Revenue of the Group and Group's share of revenue of joint ventures		**7,641,851**	3,797,224

4. SEGMENT INFORMATION

The Group's operating segments, based on the information reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance, are as follows:

Property development and investment	–	development of properties for sale and for rental income potential and/or capital appreciation
Toll road	–	development, operation and management of toll roads
Investment and asset management	–	property development and investment, integrated with funds, cultural attraction and tourism, entertainment and content development businesses

The following is an analysis of the Group's revenue, profit, assets and liabilities by operating segments for the periods under review:

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	Property development and investment	**Toll road**	**Investment and asset management**	**Total**	Property development and investment	Toll road	Investment and asset management	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*
Segment revenue	**5,604,127**	**–**	**117,537**	**5,721,664**	3,059,600	–	106,040	3,165,640
Segment profit	**915,155**	**269,646**	**8,596**	**1,193,397**	138,682	200,618	45,489	384,789

	At 30 June 2018				At 31 December 2017			
	Property development and investment	**Toll road**	**Investment and asset management**	**Total**	Property development and investment	Toll road	Investment and asset management	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets (including interests in joint ventures and an associate)	**63,575,037**	**4,425,875**	**7,641,561**	**75,642,473**	54,807,629	4,518,538	8,975,235	68,301,402
Segment liabilities	**(50,253,717)**	**(66,225)**	**(3,582,025)**	**(53,901,967)**	(42,422,077)	(66,585)	(4,071,992)	(46,560,654)

(a) Measurement

Segment profit represents profit earned by each segment, which includes share of result of an associate, share of results of joint ventures, fair value gains on transfer of completed properties held for sale to investment properties, change in fair value of investment properties, change in fair value of other financial liabilities/assets, net exchange (losses) gains, gains (losses) on disposal of interests in subsidiaries and a joint venture, depreciation of property, plant and equipment, relevant interest income and finance costs and income tax expenses attributable to the relevant segment but without allocation of headquarters' income and expenses.

Segment revenue comprises total revenue from external customers. There was no inter-segment revenue.

Segment assets include property, plant and equipment, investment properties, interest in an associate, interests in joint ventures, long-term prepayments, inventory of properties, prepayment for land leases, amounts due from joint ventures, loan receivables, debtors, deposits and prepayments, prepaid income tax, other financial assets, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

Segment liabilities include creditors and accrued charges, amounts due to joint ventures and an associate, contract liabilities/deposits from pre-sale of properties, income tax payable, bank and other borrowings and deferred tax liabilities which are directly attributable to the relevant reportable segment.

(b) Reconciliation of total segment profit, total segment assets and total segment liabilities

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Total segment profit	**1,193,397**	384,789
Unallocated items:		
Interest income	**2,287**	1,497
Corporate income	**93**	12,736
Corporate expenses	**(21,354)**	(5,370)
Finance costs	**(14,786)**	(19,033)
Consolidated profit for the period	**1,159,637**	374,619

	30 June 2018 HK$'000	31 December 2017 HK$'000
Total segment assets	**75,642,473**	68,301,402
Unallocated assets:		
Property, plant and equipment	**25**	50
Deposits and prepayments	**17,577**	6,656
Other financial assets	**–**	1,177
Bank balances and cash	**1,495,007**	1,426,173
Consolidated total assets	**77,155,082**	69,735,458
Total segment liabilities	**(53,901,967)**	(46,560,654)
Unallocated liabilities:		
Accrued charges	**(2,231)**	(105,733)
Bank and other borrowings	**(1,547,687)**	(1,454,645)
Other financial liabilities	**(1,911)**	–
Consolidated total liabilities	**(55,453,796)**	(48,121,032)

5. OTHER GAINS AND LOSSES

	Six months ended 30 June 2018 HK$'000	2017 HK$'000
Net exchange (losses) gains	**(93,394)**	183,228
Change in fair value of other financial liabilities/assets	**(7,852)**	(84,265)
	(101,246)	98,963
Gain on disposal of interest in a joint venture	**33,330**	–
Net loss on disposal of subsidiaries	**(339)**	–
Gains on disposal of property, plant and equipment	**198**	652
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	337
Change in fair value of investment properties	**41,023**	70,178
	(27,034)	170,130

6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Share of profits of infrastructure joint ventures before amortisation and taxation	**572,631**	473,264
Less share of: Amortisation of toll road operation rights	**(126,563)**	(111,384)
Income tax expenses	**(106,645)**	(89,072)
	339,423	272,808
Share of profits (losses) of other joint ventures	**98,731**	(43,102)
	438,154	229,706

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest on borrowings	**618,277**	543,969
Other interest and finance costs	**213,460**	81,001
	831,737	624,970
Less: Capitalised in properties under development for sale	**(550,920)**	(468,501)
	280,817	156,469

8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**19,226**	7,780
Less: Capitalised in properties under development for sale	**(435)**	(372)
	18,791	7,408
and after crediting:		
Bank interest income	**23,966**	20,805

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC enterprise income tax ("EIT")	**589,362**	214,258
PRC land appreciation tax ("LAT")	**689,680**	101,345
PRC withholding tax	**33,408**	15,744
	1,312,450	331,347
Deferred tax:		
Current period	**76,534**	61,325
	1,388,984	392,672

No provision for Hong Kong profits tax has been made as there was no assessable profit derived from Hong Kong.

The EIT is calculated at a statutory tax rate of 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant tax laws and regulations of the People's Republic of China (the "PRC"), which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

10. DIVIDEND PAID

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
2017 final dividend paid of HK$0.78 (six months ended 30 June 2017: 2016 final dividend paid of HK$0.55) per share	**584,483**	409,962

An interim dividend in respect of 2018 of HK$0.30 (six months ended 30 June 2017: HK$0.15) per share amounting to a total of approximately HK$225 million (six months ended 30 June 2017: HK$112 million) was declared by the Board on 17 August 2018. This interim dividend has not been included as a liability in these condensed consolidated financial statements as it was declared after the end of the reporting period.

The amount of the interim dividend was calculated on the basis of 749,336,566 shares in issue as at 17 August 2018.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	**808,123**	283,879
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**748,749**	742,281
Effect of dilutive potential ordinary shares:		
Share options	**304**	1,161
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**749,053**	743,442

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Aged analysis of trade debtors, presented based on invoice dates *(note (a))*:		
Within 60 days	**11,276**	22,036
61 to 90 days	**2,247**	1,093
More than 90 days	**34,475**	34,163
	47,998	57,292
Prepayment for land development cost	**627,949**	574,470
Deposits paid for acquisition of inventory of properties	**722,090**	468,631
Prepayment of value added tax and other taxes	**1,162,747**	786,497
Prepayment for property, plant and equipment and investment properties	**70,200**	70,020
Other receivables, deposits and prepayments	**835,778**	1,195,456
Total debtors, deposits and prepayments	**3,466,762**	3,152,366
Less: Amounts classified as non-current assets	**(70,200)**	(70,020)
Amounts classified as current assets	**3,396,562**	3,082,346

Note:

(a) The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 days from the agreements. Consideration will be fully received prior to the delivery of the properties to the property purchasers.

13. CREDITORS AND ACCRUED CHARGES

	30 June 2018 HK$'000	31 December 2017 HK$'000
Aged analysis of creditors presented based on invoice dates:		
Trade payables		
Within 60 days	**216,577**	237,027
61 to 90 days	**133,808**	11,366
More than 90 days	**791,628**	685,625
	1,142,013	934,018
Bills payables		
Within 60 days	**97,530**	89,579
61 to 90 days	**7,382**	15,476
More than 90 days	**10,689**	27,381
	115,601	132,436
Accrued construction costs	**4,841,579**	5,187,082
	6,099,193	6,253,536
Accrued taxes (other than EIT and LAT)	**520,229**	385,347
Consideration payable from acquisition of subsidiaries and joint ventures	**356,036**	356,884
Other payables	**1,262,353**	1,366,479
	8,237,811	8,362,246

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2018 amounted to HK$38,405,520,000 (31 December 2017: HK$38,217,233,000). The Group's net current assets at 30 June 2018 amounted to HK$14,607,570,000 (31 December 2017: HK$18,725,649,000).

DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.30 (2017: HK$0.15) per share for the six months ended 30 June 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 5 September 2018.

It is expected that the payment of the interim dividend will be made on or before Friday, 28 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 4 September 2018 to Wednesday, 5 September 2018, both dates inclusive, during which period no transfer of shares will be registered for the purpose of determining the entitlement to the interim dividend.

In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 3 September 2018 for registration.

BUSINESS REVIEW

Results of the Group for the first half of 2018

For the first half of 2018, property sales and toll revenue of the Group (including joint venture projects) were RMB17,225 million and RMB1,470 million respectively, amounting to RMB18,695 million in total. The profit for the period ended 30 June 2018 was HK$1,160 million, representing a significant increase of HK$785 million or 210% as compared with the corresponding period of last year, with earnings per share of HK$1.08.

Business Segments Overview and Outlook

(i) Property Development

In the first half of 2018, the central and local governments of Mainland China continued to implement last year's specific austerity measures based on regional circumstances. In order to prevent the overheating of regional property markets, control measures, such as regulating land auction, tightening home purchase restrictions, restriction on prices and mortgage, have gradually become routine control measures in various regions. This has led to a more complicated property market environment. Nonetheless, in the first half of 2018, the property segment of the Group achieved remarkable results in property sales by the dedication of the management team. The segment recorded property sales of RMB16,116 million (including joint venture projects), comprising the contracted sales of RMB14,691 million and outstanding subscribed sales of RMB1,425 million.

In the first half of 2018, property delivery of the Group (including joint venture projects) amounted to RMB6.2 billion. The average selling price was approximately RMB16,100 per sqm, which increased significantly as compared with the corresponding period of last year. Together with the delivery of more high margin projects during the period, the Group's gross profit margin increased significantly to approximately 47% in current period. Profit of the property segment also increased to HK$915 million, representing an increase of about 5 times comparing to the corresponding period of last year.

For land reserve replenishment, the Group's property and investment and asset management segments acquired 5 parcels of land in Mainland China, mainly for residential purpose, through co-development with competent enterprises in the first half of 2018, with an aggregate floor area of 542,000 sqm. As at 30 June 2018, the Group's land reserves was 8,480,000 sqm in total and total area of properties pre-sold but yet to be delivered was 1,770,000 sqm.

As a pillar industry, the real estate industry in Mainland China undoubtedly supports economic growth, especially when there is trade conflicts between China and the U.S. Therefore, the Group stays cautiously optimistic in regards to the long-term prospects of property development business. The management and operations team will continue to adopt a practical approach and follow the business strategy to strike a balance between profitability and sales volume. To establish the Group as a more widely recognised property developer, it will continue to research and develop market-oriented products to boost the sales. The Group will optimise the land reserve portfolio in Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners.

(ii) Toll Road

The average daily traffic volume and toll revenue of the Group's expressway toll road portfolio reached 254,100 vehicles and RMB1,470 million respectively in the first half of 2018, representing an increase of 16% for both as compared with the corresponding period of last year. During the period, all expressway projects recorded increase in toll revenue and certain projects even demonstrated a double-digit growth in toll revenue. Thus, the Group's share of profit of infrastructure joint ventures for the first half of the year increased significantly by 24% to HK$339 million as compared with the corresponding period of last year.

In the first half of 2018, the Group received cash distribution of HK$374 million from the toll road joint ventures, including the repayment of shareholder loans, which provides the Group with steady cash flows.

In early August 2018, the Group and a fund managed by CVC Capital Partners ("CVC"), entered into an agreement. Pursuant to which, CVC will contribute capital of approximately HK$2,000 million to the expressway business of the Group. After completion of the transaction, the Group and CVC will own 75% and 25% interests in the expressway business of the Group respectively. Details of the transaction are set out in the announcement of the Company dated 2 August 2018.

It is expected that the expressway business will maintain a steady development in the short-term with expansion opportunities in the medium and long-term.

(iii) Investment and Asset Management

The Group continued to develop the investment and asset management business in 2018, which includes property fund, cultural attraction and tourism, entertainment and content development and property related business.

In the first half of 2018, the projects of investment and asset management segment (including joint venture projects) achieved sales of RMB1,109 million, representing an increase of 100% as compared with the corresponding period of last year. The sales for the six months ended 30 June 2018 comprised contracted sales of RMB457 million and outstanding subscribed sales of RMB652 million. The segment profit for the period was approximately HK$9 million.

The investment and asset management segment of the Group will continue to explore new business models and seek new opportunities and drivers for profit growth with controllable risks.

FINANCIAL REVIEW OF THE GROUP

Liquidity and Financial Resources

As at 30 June 2018, the equity attributable to owners of the Company was HK$15,701 million (31 December 2017: HK$15,635 million). Net assets per share attributable to owners of the Company was HK$20.95 (31 December 2017: HK$20.90).

As at 30 June 2018, the Group's total assets were HK$77,155 million (31 December 2017: HK$69,735 million) and bank balances and cash were HK$9,976 million (31 December 2017: HK$8,552 million), of which 91% was denominated in Renminbi and the remaining 9% was mainly denominated in US dollar or HK dollar.

The Group continues to adopt prudent financing and treasury policies. The entire Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing cost and exchange rate risk. Going forward, the Group will continue to maintain its financials healthily and explore and broaden financing channels, so as to manage financing costs and enhance cash flows of the Group.

During the period under review, the Group drew down various offshore bank loans and project development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK$3,182 million. The drawdown of new loans was partially offset by repayment of certain bank loans.

Certain of the Group's loans were on a fixed rate basis, which included, among the others, the following notes:

(a) US$450 million 5% guaranteed senior notes due in 2019;

(b) RMB1,500 million 4.5% domestic bonds due in 2019; and

(c) US$500 million 4.7% guaranteed senior notes due in 2021.

In addition to the above borrowings, the Group issued the following two senior guaranteed perpetual capital securities:

(a) US$300 million 7.95% senior guaranteed perpetual capital securities; and

(b) US$300 million 7% senior guaranteed perpetual capital securities.

The net gearing ratio of the Group decreased from 54% as at the end of last year to 49% as at 30 June 2018. Meanwhile, the net capitalisation ratio dropped from 35% as at the end of last year to 33%. Net gearing ratio represents the difference between the Group's total interest bearing borrowings and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

Interest coverage for the period under review was 10.97 times (2017: 7.23 times).

In 2017, the Group entered into an undertaking agreement with an independent third party pursuant to which the Group undertakes for a prompt settlement of 50% of the outstanding debts incurred by a joint venture which the Group holds 50% of equity interest. At 30 June 2018, the carrying amount of the liabilities of the joint venture undertaken by the Group was about HK$2,712 million (31 December 2017: HK$2,709 million).

Charges on Assets

As at 30 June 2018, bank balances of HK$225 million (31 December 2017: HK$199 million) were pledged as security in favour of banks for certain mortgage facilities granted to purchasers of the Group's properties and short-term credit facilities granted to the Group. In addition to these charged bank deposits, properties with carrying value of HK$5,008 million (31 December 2017: HK$5,515 million) were pledged as securities for certain loan facilities.

Exposure on Foreign Exchange Fluctuations and Interest Rates

The Group's borrowings are mainly denominated in Renminbi and US dollar but the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar. For minimising the impacts arisen from fluctuation of exchange rate between US dollar and Renminbi on the Group, the Group has entered into capped forward swap contracts and range forward swap contracts for parts of offshore US dollar debts.

The Group's exposure to interest rate risk is mainly from fluctuation in interest rates relating to its borrowings denominated in Renminbi and US dollar. Although the monetary policies implemented by Mainland China and the US governments continue to have a major impact on the Group's results and operation, the Directors consider that the interest rate fluctuation caused by the fluidity and instability of the global economy and financial systems also has an impact on the operation of the Group.

Save for the aforesaid, the Group has no significant exposure to foreign exchange risk and interest rate risk. The Group will continue to closely monitor the above risks and may arrange hedging against the risks exposed as and when necessary and appropriate.

Contingent Liabilities

As at 30 June 2018, the Group had provided guarantees of HK$9,144 million (31 December 2017: HK$7,919 million) to banks in respect of the mortgage loans of the purchasers of the Group's properties. The guarantees would be released after the purchasers have pledged their property ownership certificates as securities to the banks for the mortgage loans granted.

In addition, the Group had provided guarantees of HK$3,592 million (31 December 2017: HK$2,611 million) for banking facilities granted to the joint ventures of the Group as at 30 June 2018.

Employees

Excluding the staff of joint ventures, the Group had 3,973 employees as at 30 June 2018 (2017: 3,188 employees). Expenditure on staff (excluding Directors' emoluments and share-based payment) for the period under review amounted to HK$500 million (2017: HK$355 million). Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option scheme. During the period under review, no share option was granted.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2018.

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2018.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.roadking.com.hk) and the Stock Exchange (www.hkexnews.hk). The Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, we would like to express our sincere gratitude to the business partners, customers and shareholders for their enduring support, and thank all staff for their dedication and hard work.

By Order of the Board
Road King Infrastructure Limited
Zen Wei Pao, William
Co-Chairman

Hong Kong, 17 August 2018

As at the date of this announcement, the Board comprises Messrs. Zen Wei Pao, William, Zen Wei Peu, Derek, Ko Yuk Bing and Fong Shiu Leung, Keter as Executive Directors, Messrs. Mou Yong and Dong Fang as Non-executive Directors and Mr. Lau Sai Yung, Dr. Chow Ming Kuen, Joseph, Mr. Tse Chee On, Raymond, Mr. Wong Wai Ho and Mr. Zhang Yongliang as Independent Non-executive Directors.