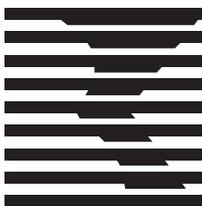


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ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS	Six months ended 30 June	
	2021	2020
Property sales (including joint venture and associate projects)	RMB38,102 million	RMB20,448 million
Property delivery (including joint venture and associate projects)	RMB10,984 million	RMB11,694 million
Toll revenue from expressway projects	RMB1,895 million	RMB837 million
Profit for the period	HK\$647 million	HK\$792 million
Earnings per share	HK\$0.43	HK\$0.57
Interim dividend per share	HK\$0.15	HK\$0.20
	30 June	31 December
	2021	2020
Total assets	HK\$118,109 million	HK\$103,281 million
Bank balances and cash	HK\$22,337 million	HK\$14,056 million
Equity attributable to owners of the Company	HK\$21,555 million	HK\$20,928 million
Net assets per share attributable to owners of the Company	HK\$28.77	HK\$27.93

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 2021, together with the comparative figures for the corresponding period in 2020 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 together with audited comparative figures as at 31 December 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>NOTES</i>	HK\$'000	HK\$'000
Revenue	3	4,949,038	8,184,358
Cost of sales		(3,672,569)	(5,591,447)
Gross profit		1,276,469	2,592,911
Interest income		180,489	196,893
Other income		74,773	48,716
Other gains and losses	5	292,425	(96,613)
Selling expenses		(365,760)	(280,294)
Administrative expenses		(403,661)	(496,972)
Share of results of associates		142,053	(2,731)
Share of results of joint ventures	6	400,255	206,687
Finance costs	7	(513,136)	(554,500)
Profit before taxation	8	1,083,907	1,614,097
Income tax expenses	9	(437,094)	(822,457)
Profit for the period		646,813	791,640
Profit attributable to:			
Owners of the Company		325,132	430,034
Owners of perpetual capital securities		262,092	264,587
Non-controlling interests of subsidiaries		59,589	97,019
		646,813	791,640
Earnings per share	11		
– Basic		HK\$0.43	HK\$0.57
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	646,813	791,640
Other comprehensive income (expense)		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>		
Fair value gains (losses) on hedging instruments designated in cash flow hedges	58,497	(95,429)
Reclassified to profit or loss upon early termination of hedging instruments	(5,386)	–
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	698,619	(245,521)
Other comprehensive income (expense) for the period	751,730	(340,950)
Total comprehensive income for the period	1,398,543	450,690
Total comprehensive income attributable to:		
Owners of the Company	1,039,518	118,211
Owners of perpetual capital securities	262,092	264,587
Non-controlling interests of subsidiaries	96,933	67,892
	1,398,543	450,690

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	91,059	81,905
Right-of-use assets	93,640	105,585
Investment properties	4,231,487	4,046,258
Interests in associates	1,607,327	1,433,375
Interests in joint ventures	14,612,699	13,843,087
Deferred tax assets	244,214	214,939
Amounts due from joint ventures	10,685,917	9,869,288
Amounts due from non-controlling interests of subsidiaries	117,726	–
Loan receivables	1,647,564	1,384,570
Financial assets at fair value through profit or loss (“FVTPL”)	904,589	328,751
	34,236,222	31,307,758
Current assets		
Inventory of properties	50,355,538	47,864,974
Prepayment for land leases	1,313,491	–
Amounts due from joint ventures and associates	2,613,398	3,939,385
Amounts due from non-controlling interests of subsidiaries	2,120,898	1,672,435
Loan receivables	641,533	551,420
Debtors, deposits and prepayments	2,479,953	2,421,954
Prepaid income tax	1,892,577	1,352,193
Pledged bank deposits	118,344	114,799
Bank balances and cash	22,336,831	14,055,969
	83,872,563	71,973,129
Total assets	118,108,785	103,280,887

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	74,934	74,934
Reserves	21,480,294	20,852,911
	21,555,228	20,927,845
Perpetual capital securities	6,951,733	6,952,437
Non-controlling interests of subsidiaries	5,293,232	5,161,572
Total equity	33,800,193	33,041,854
Non-current liabilities		
Bank and other borrowings	26,758,304	24,631,423
Deferred tax liabilities	1,279,623	1,172,600
Financial liabilities at FVTPL	–	17,409
Derivative financial instruments	–	53,111
Lease liabilities	79,091	89,609
	28,117,018	25,964,152
Current liabilities		
Creditors and accrued charges	10,793,593	10,685,326
Amounts due to joint ventures and associates	5,078,677	4,431,961
Amounts due to non-controlling interests of subsidiaries	1,350,488	1,424,335
Contract liabilities	16,539,351	7,819,246
Lease liabilities	25,982	26,357
Income tax payable	5,629,444	5,831,694
Bank and other borrowings	16,499,480	13,424,768
Financial liabilities at FVTPL	274,559	182,672
Other financial liabilities	–	448,522
	56,191,574	44,274,881
Total equity and liabilities	118,108,785	103,280,887

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 (“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 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 additional accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

(a) Revenue from contracts with customers

By segment	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Property development and investment HK\$'000	Investment and asset management HK\$'000	Total HK\$'000	Property development and investment HK\$'000	Investment and asset management HK\$'000	Total HK\$'000
Types of goods or services						
Property sales	4,509,910	53,542	4,563,452	7,793,003	91,600	7,884,603
Property management and other service income	266,324	4,625	270,949	227,370	4,276	231,646
Total	4,776,234	58,167	4,834,401	8,020,373	95,876	8,116,249
Geographical market						
Mainland China	3,571,487	58,167	3,629,654	8,020,373	95,876	8,116,249
Hong Kong	1,204,747	–	1,204,747	–	–	–
Total	4,776,234	58,167	4,834,401	8,020,373	95,876	8,116,249
Timing of revenue recognition						
Goods recognised at a point in time	4,509,910	53,542	4,563,452	7,793,003	91,600	7,884,603
Services recognised over time	266,324	4,625	270,949	227,370	4,276	231,646
Total	4,776,234	58,167	4,834,401	8,020,373	95,876	8,116,249

(b) Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

By segment	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Property development and investment HK\$'000	Investment and asset management HK\$'000	Total HK\$'000	Property development and investment HK\$'000	Investment and asset management HK\$'000	Total HK\$'000
Revenue from contracts with customers (note 3(a))	4,776,234	58,167	4,834,401	8,020,373	95,876	8,116,249
Fund investment income	–	21,240	21,240	–	16,965	16,965
Gross rental and other income from commercial properties	91,842	1,555	93,397	49,991	1,153	51,144
Other revenue	91,842	22,795	114,637	49,991	18,118	68,109
Total revenue of the Group (note 4)	4,868,076	80,962	4,949,038	8,070,364	113,994	8,184,358

(c) **Total Revenue of the Group**

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Property sales and service income	4,834,401	8,116,249
Fund investment income	21,240	16,965
Gross rental and other income from commercial properties	93,397	51,144
Total revenue of the Group	4,949,038	8,184,358
Group's share of revenue of property joint ventures and associates	4,077,112	2,710,513
Group's share of toll revenue of infrastructure joint ventures	954,127	398,030
Revenue of the Group and Group's share of revenue of the joint ventures and associates	9,980,277	11,292,901

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 and/or potential capital appreciation
- Toll road – development, operation and management of toll roads
- Investment and asset management – property development and investment, integrated with property fund, cultural, tourist and commercial businesses

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

	Six months ended 30 June 2021				Six months ended 30 June 2020			
	Property development and investment <i>HK\$'000</i>	Toll road <i>HK\$'000</i>	Investment and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Toll road <i>HK\$'000</i>	Investment and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>4,868,076</u>	<u>-</u>	<u>80,962</u>	<u>4,949,038</u>	<u>8,070,364</u>	<u>-</u>	<u>113,994</u>	<u>8,184,358</u>
Segment profit (loss)	<u>649,856</u>	<u>303,421</u>	<u>(278,623)</u>	<u>674,654</u>	<u>1,060,164</u>	<u>5,008</u>	<u>(226,818)</u>	<u>838,354</u>
	At 30 June 2021				At 31 December 2020			
	Property development and investment <i>HK\$'000</i>	Toll road <i>HK\$'000</i>	Investment and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Toll road <i>HK\$'000</i>	Investment and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets (including interests in joint ventures and associates)	<u>99,538,214</u>	<u>6,142,286</u>	<u>10,529,013</u>	<u>116,209,513</u>	<u>85,810,067</u>	<u>6,035,653</u>	<u>9,515,000</u>	<u>101,360,720</u>
Segment liabilities	<u>(81,236,455)</u>	<u>(334,414)</u>	<u>(1,354,475)</u>	<u>(82,925,344)</u>	<u>(65,638,092)</u>	<u>(318,436)</u>	<u>(1,999,178)</u>	<u>(67,955,706)</u>

(a) Measurement

Segment profit (loss) represents profit or loss generated from each segment, which includes share of results of associates, share of results of joint ventures, net gains (losses) on disposals/written off of property, plant and equipment, impairment loss on long-term prepayments, fair value gains (losses) on transfer of completed properties held for sale to investment properties, change in fair value of investment properties, change in fair value of financial assets (liabilities) at FVTPL, losses on investments in financial liabilities at FVTPL, gains on hedging instruments reclassified from hedging reserve, net exchange gains (losses), depreciation of property, plant and equipment, depreciation of right-of-use assets, relevant interest income, 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, right-of-use assets, investment properties, interests in associates, interests in joint ventures, inventory of properties, prepayment for land leases, amounts due from joint ventures and associates, amounts due from non-controlling interests of subsidiaries, loan receivables, debtors, deposits and prepayments, prepaid income tax, financial assets at FVTPL, 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 associates, amounts due to non-controlling interests of subsidiaries, contract liabilities, lease liabilities, income tax payable, bank and other borrowings, other financial liabilities, financial liabilities at FVTPL, derivative financial instruments 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	
	2021 HK\$'000	2020 HK\$'000
Total segment profit	674,654	838,354
Unallocated items:		
Interest income	1,138	9,510
Corporate income	16,052	–
Corporate expenses	(7,087)	(14,963)
Finance costs	(37,944)	(41,261)
	<hr/>	<hr/>
Consolidated profit for the period	646,813	791,640
	<hr/> <hr/>	<hr/> <hr/>
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Total segment assets	116,209,513	101,360,720
Unallocated assets:		
Property, plant and equipment	–	4
Right-of-use assets	24,313	27,118
Deposits and prepayments	44,974	24,975
Bank balances and cash	1,829,985	1,868,070
	<hr/>	<hr/>
Consolidated total assets	118,108,785	103,280,887
	<hr/> <hr/>	<hr/> <hr/>
Total segment liabilities	(82,925,344)	(67,955,706)
Unallocated liabilities:		
Accrued charges	(7,618)	(5,628)
Bank and other borrowings	(1,341,531)	(2,239,948)
Financial liabilities at FVTPL	(8,454)	(9,467)
Lease liabilities	(25,645)	(28,284)
	<hr/>	<hr/>
Consolidated total liabilities	(84,308,592)	(70,239,033)
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Net exchange gains (losses)	404,235	(56,090)
Change in fair value of financial liabilities at FVTPL		
– relating to the foreign currency forward contracts	(72,565)	66,858
Losses on investments in financial liabilities at FVTPL		
– relating to foreign currency forward contracts	(21,155)	–
	<u>310,515</u>	<u>10,768</u>
Change in fair value of financial asset at FVTPL		
– relating to the investment in a listed entity	(29,308)	–
Gains on hedging instruments reclassified from hedging reserve	5,386	–
Net gains (losses) on disposals/written off of property, plant and equipment	265	(9)
Impairment loss on long-term prepayments	–	(36,626)
Fair value gains (losses) on transfer of completed properties held for sale to investment properties	243	(7,038)
Change in fair value of investment properties	5,324	(63,708)
	<u>292,425</u>	<u>(96,613)</u>

6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	606,423	147,651
Less share of:		
Amortisation of toll road operation rights	(153,273)	(129,386)
Income tax expenses	(106,779)	(10,095)
	<u>346,371</u>	<u>8,170</u>
Share of profits of other joint ventures	53,884	198,517
	<u>400,255</u>	<u>206,687</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest on borrowings	1,152,287	1,187,605
Interest on lease liabilities	2,886	4,266
Other interest and finance costs	144,525	108,513
	<u>1,299,698</u>	<u>1,300,384</u>
Less: Capitalised in properties under development for sale	(786,562)	(745,884)
	<u>513,136</u>	<u>554,500</u>

8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of right-of-use assets	14,611	20,431
Depreciation of property, plant and equipment	7,676	13,440
	<u>22,287</u>	<u>33,871</u>
Less: Capitalised in properties under development for sale	(625)	(123)
	<u>21,662</u>	<u>33,748</u>
and after crediting:		
Bank interest income	75,264	61,698
	<u>75,264</u>	<u>61,698</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong profits tax	42,328	–
PRC enterprise income tax (“EIT”)	176,659	537,183
PRC land appreciation tax (“LAT”)	127,209	281,375
Withholding tax	34,848	–
	<u>381,044</u>	<u>818,558</u>
Deferred tax	<u>56,050</u>	<u>3,899</u>
	<u>437,094</u>	<u>822,457</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits 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 PRC tax laws and regulations, 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	
	2021 HK\$'000	2020 HK\$'000
2020 final dividend paid of HK\$0.55 (six months ended 30 June 2020: 2019 final dividend paid of HK\$0.88) per share	<u>412,135</u>	<u>659,416</u>

An interim dividend in respect of 2021 of HK\$0.15 (six months ended 30 June 2020: HK\$0.20) per share amounting to a total of approximately HK\$112 million (six months ended 30 June 2020: HK\$150 million) was declared by the Board of Directors on 18 August 2021. 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 18 August 2021.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share attributable to owners of the Company	<u>325,132</u>	<u>430,034</u>
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>749,337</u>	<u>749,337</u>

No diluted earnings per share for the six months ended 30 June 2021 and 2020 were presented as there were no dilutive potential ordinary shares in issue for both interim periods.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
Aged analysis of trade debtors, presented based on invoice dates (<i>note</i>):		
Within 60 days	60,540	242,940
61 to 90 days	9,581	10,733
More than 90 days	<u>65,763</u>	<u>36,258</u>
Trade debtors from contracts with customers derived from goods and services	135,884	289,931
Prepayment for land development cost	598,086	584,112
Deposits paid for acquisition of inventory of properties	737,323	644,930
Prepayment of value added tax and other taxes	287,310	215,037
Other receivables, deposits and prepayments	<u>721,350</u>	<u>687,944</u>
	<u>2,479,953</u>	<u>2,421,954</u>

Note:

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 to 90 days from the agreements. For most of the Group's property projects, consideration will be fully received prior to the delivery of the properties to the property purchasers.

13. CREDITORS AND ACCRUED CHARGES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	858,942	1,057,611
61 to 90 days	20,761	22,670
More than 90 days	<u>1,432,107</u>	<u>1,080,965</u>
	<u>2,311,810</u>	<u>2,161,246</u>
Bills payables		
Within 60 days	8,485	9,461
61 to 90 days	227	11,682
More than 90 days	<u>25,548</u>	<u>139</u>
	<u>34,260</u>	<u>21,282</u>
Accrued construction costs	<u>4,448,296</u>	<u>5,672,305</u>
	<u>6,794,366</u>	<u>7,854,833</u>
Accrued taxes (other than EIT and LAT)	881,807	796,862
Consideration payable from acquisition of subsidiaries and joint ventures	380,135	238,087
Dividend payable to non-controlling interest of subsidiaries	–	152,570
Deposits received from customers for property purchases	537,173	23,864
Other payables (<i>note</i>)	<u>2,200,112</u>	<u>1,619,110</u>
	<u>10,793,593</u>	<u>10,685,326</u>

Note:

Other payables included an amount due to a shareholder of HK\$664,488,000 (31 December 2020: nil) in relation to jointly acquisition of land/property projects. Subsequent to the reporting period, the Group has fully repaid the amount due to the shareholder.

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2021 amounted to HK\$61,917,211,000 (31 December 2020: HK\$59,006,006,000). The Group's net current assets at 30 June 2021 amounted to HK\$27,680,989,000 (31 December 2020: HK\$27,698,248,000).

DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.15 (2020: HK\$0.20) per share for the six months ended 30 June 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 6 September 2021.

It is expected that the payment of the interim dividend will be made on or before Thursday, 30 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 September 2021 to Monday, 6 September 2021, both dates inclusive, during which period no transfer of shares of the Company 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 of the Company accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 2 September 2021 for registration.

BUSINESS REVIEW

Results for the first half of 2021

Property sales and toll revenue from expressway projects of the Group (including joint venture and associate projects) for the first half of 2021 were RMB38,102 million equivalent and RMB1,895 million equivalent respectively, totaling approximately RMB40 billion (for the first half of 2020: RMB21.3 billion). For the first half of 2021, the Group achieved a profit of HK\$647 million, with profit attributable to shareholders of HK\$325 million, earnings per share of HK\$0.43 and net assets per share of HK\$28.77.

Business Overview

For the first half of 2021, under the policy environment of "house is for living, not for speculating, city-specific policies", the central government of Mainland China fully implemented long-term stabilising mechanism for land prices, housing prices, and managing the expectations for the property industry, in order to promote the stable and healthy development of the property market. The central government further focused its regulation on the supply side, continued to strengthen the financial regulations on the property industry and tightened housing credit policies, and smoothed operations of the property sales market. Due to the implementation of centralized land supply policy in the land market, the transaction volume has shrunk. However, the market in some cities is still booming, and land prices have reached record high.

By closely following the market trend and adhering to the operating principle of ensuring a balance between sales volume and profitability, the concerted efforts of the operation team of the Group achieved total property sales (including joint venture and associate projects) of RMB26,000 million in Mainland China in the first half of 2021, comprising the contracted sales of RMB22,767 million and outstanding subscribed sales of RMB3,233 million. Property sales in Mainland China increased by 33% as compared with the corresponding period of last year, mainly contributed from projects in Yangtze River Delta Region. The overall average selling price was approximately RMB21,800 per sqm.

In the first half of 2021, the Group acquired six pieces of land for residential development through listing-for-sale and/or co-development with competent enterprises in Mainland China, which are located in Suzhou, Wuxi, Langfang and Nanjing, respectively, with an aggregate floor area of 740,000 sqm. As of 30 June 2021, the Group's land reserves in Mainland China and Hong Kong were approximately 7,240,000 sqm in total and the total area of properties pre-sold but yet to be delivered was 2,150,000 sqm. In August 2021, the Group further acquired a piece of land in Wujin District, Changzhou for residential development with a floor area of approximately 88,000 sqm through co-development.

The three projects in Hong Kong are operating smoothly. In the first half of the year, property sales in Hong Kong increased substantially to HK\$14,476 million, mainly due to overwhelming responses on the sales of the Southland since its launch on 1 May. A total of 608 units were sold in two months with a sales amount of HK\$13,254 million. The Southland is expected to be delivered for occupancy in the second half of 2022. In addition, the Crescent Green in Yuen Long sold a total of 78 units and 77 parking spaces, with a sales amount of HK\$1,222 million and completed property delivery with an amount of HK\$1,205 million in the first half of the year. The superstructure work of the So Kwun Wat Project in Tuen Mun is under construction and is expected to be pre-sold in the first half of 2022.

In the first half of 2021, the Group's property delivery (including joint venture and associate projects) in Mainland China and Hong Kong were approximately RMB10,984 million in total, mainly from projects in Yangtze River Delta Region (representing approximately 54% of total delivery). The average selling price per sqm was approximately RMB15,400, the gross profit margin was approximately 26%, and the profit of property segment was HK\$650 million.

In the first half of 2021, the Group's average daily traffic volume and toll revenue of the expressway projects reached 331,000 vehicles and RMB1,895 million, representing an increase of 23% and 126% respectively, as compared with the corresponding period of last year.

The government of Mainland China has effectively contained the COVID-19 pandemic (the "Pandemic"), and economic activities have recovered steadily. In the first half of 2021, the toll revenue from the Group's expressways in Mainland China increased by 143% to RMB1,632 million as compared with the corresponding period of last year. The average daily traffic volume increased by 15% as compared with the corresponding period of last year, mainly due to a lower revenue base under the severe impact of the Pandemic in the first half of 2020. However, the number of confirmed cases of COVID-19 in some regions in Mainland China is increasing since the end of July, the government has taken measures such as traffic control to prevent the outbreak of the Pandemic, which will have a negative impact on the performance of certain projects in the second half of the year.

In terms of Indonesian expressways, the Group completed the acquisition of the Medan-Kualanamu-Tebing Tinggi expressway in Sumatra, Indonesia in April 2021, to enhance the overseas toll road portfolio. Despite the continued negative impact of the Pandemic during the period and the imposition of traffic restrictions during the Eid al-Fitr Festival in May, the toll revenue in the first half of the year increased by 58% to RMB263 million as compared to the first half of 2020, and the average daily traffic volume increased by 130%. However, the Pandemic in Indonesia has become serious since June, the imposition of strict measures in Java such as lockdowns and traffic restrictions, will have a negative impact on the project's performance in the second half of the year.

In the first half of 2021, the toll revenue of the Group's expressway projects in Mainland China and Indonesia recorded an increase as compared with the corresponding period in 2020, which enabled the Group's share of profits of infrastructure joint ventures in the first half of the year to reach HK\$346 million, representing a substantial increase as compared with HK\$8 million in the corresponding period of last year. During the corresponding period, the Group received a cash distribution from its expressway joint ventures of RMB315 million (equivalent to HK\$377 million), contributing stable cash flow to the Group.

The COVID-19 incident continues to influence the investment mode, consumption habit, travel pattern and working style. After conducting an in-depth review of the business model of investment and asset management business, the Group has merged the cultural, tourist and commercial business and property development business of investment and asset management segment into its existing property segment to centralise its management. After reorganisation and rectification, the business scale of remaining original investment and asset management businesses has been significantly reduced.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2021, the equity attributable to owners of the Company was HK\$21,555 million (31 December 2020: HK\$20,928 million). Net assets per share attributable to owners of the Company was HK\$28.77 (31 December 2020: HK\$27.93).

As at 30 June 2021, the Group's total assets were HK\$118,109 million (31 December 2020: HK\$103,281 million) and bank balances and cash were HK\$22,337 million (31 December 2020: HK\$14,056 million), of which 78% was denominated in Renminbi and the remaining 22% was mainly denominated in US dollars or HK dollars.

The Group continues to adopt prudent financing and treasury policies, with all financing and treasury activities centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. Going forward, the Group will continue to maintain healthy treasury strategy 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 senior notes, offshore bank loans and project development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK\$13,227 million. The drawdown of new loans was offset by repayment of certain bank loans and redemption of senior notes.

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

- (a) US\$2,596 million of guaranteed senior notes (annual rate ranging from 4.7% to 7.875%), of which US\$500 million 5.2% guaranteed senior notes were issued in January 2021; and
- (b) RMB1,500 million 7% domestic bonds.

Apart from the above loans, the Group also issued the following three senior guaranteed perpetual capital securities:

- (a) US\$300 million 7.95% senior guaranteed perpetual capital securities;
- (b) US\$300 million 7% senior guaranteed perpetual capital securities; and
- (c) US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities.

As at 30 June 2021, the net gearing ratio and the net capitalisation ratio of the Group were 62% and 38% respectively. Net gearing ratio represents the difference between the Group's total interest bearing borrowings (excluding amounts due to non-controlling interests of subsidiaries) 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.

In July 2021, the Group further issued US\$500 million 5.125% guaranteed senior notes for the purpose of providing financial support or refinancing for eligible projects undertaken by the Group under the green finance framework.

Charges on Assets

As at 30 June 2021, bank balances of HK\$118 million (31 December 2020: HK\$115 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and short-term facilities granted to the Group. In addition to these pledged bank deposits, properties with carrying value of HK\$13,050 million (31 December 2020: HK\$12,279 million) were pledged as security 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. In the first half of 2021, the Group recorded net exchange gains of approximately HK\$311 million. For minimising the impacts arising from fluctuation of exchange rate between US dollar and Renminbi on the Group, the Group has entered into range forward swap contracts for part of offshore US dollar debts. The Group will pay close attention to the impact of changes in international environment on exchange rate fluctuations, and will enter into foreign currency forward contracts to balance the foreign exchange risks, when appropriate.

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 2021, the Group had provided guarantees of HK\$9,545 million (31 December 2020: HK\$8,880 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.

The Group had provided guarantees of HK\$3,289 million (31 December 2020: HK\$3,181 million) for banking facilities granted to the joint ventures of the Group as at 30 June 2021.

In addition, the Group entered into the undertaking agreement with an independent third party in 2017, pursuant to which, the Group undertakes for a prompt settlement of 50% of outstanding debts incurred by the property development joint venture, in which the Group held 50% equity interest. As at 30 June 2021, the carrying amount of the liabilities undertaken by the Group amounted to approximately HK\$2,754 million (31 December 2020: HK\$2,778 million).

Employees

Excluding the staff of joint ventures and associates, the Group had 4,683 employees as at 30 June 2021. Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$577 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.

WORK PLAN

Looking ahead to the second half of the year, it is expected that the property market in Mainland China will operate steadily with stable and mildly increasing land supply. However, the “two concentration” land supply rules in some hotspot cities may be adjusted to strengthen the spillover effect. The central and local governments will continue to strictly abide by major austerity measures such as tightening restrictions on home purchases and housing prices and “city-specific policies”, and, at the same time, continue to strengthen financial regulations on the property industry. In the second half of the year, new development loan quotas will still be restricted, and mortgage interest rates in some cities will rise, which may weaken home buyers’ willingness to purchase to certain extent. A new round of the Pandemic broke out in Mainland China in July, which will adversely affect the operation of the property and various industries and the overall economy of China in the short term, but the property industry, as a pillar industry in Mainland China, still has an important role in supporting economic growth. The Group stays cautiously optimistic in regards to the outlook of property development business in Mainland China.

Throughout the years, the Group’s property business has developed a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In the second half of the year, the property management and operation team of the Group will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume, as well as striving to maintain the sales volume and the profit target. To establish the Group as a more widely recognised developer, it will continue to research and develop market-oriented products and promote the brand name of the Group.

Going forward, the Group will continue to look for suitable new expressway projects in Mainland China and the countries along the Belt and Road, especially Indonesia, to strengthen its toll road business.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

During the period, the Company redeemed an aggregate principal amount of US\$215.6 million of US\$400 million 7.75% guaranteed senior notes due 2021 issued by RKPF Overseas 2019 (B) Limited. Following the redemption, the notes were cancelled.

Save as disclosed above, 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 2021.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021, 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 2021.

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 Peu, Derek
Chairman

Hong Kong, 18 August 2021

As at the date of this announcement, the Board comprises Messrs. Zen Wei Peu, Derek, Ko Yuk Bing and Fong Shiu Leung, Keter as Executive Directors, Mr. Dong Fang and Ms. Cai Xun as Non-executive Directors and Messrs. Lau Sai Yung, Tse Chee On, Raymond and Wong Wai Ho as Independent Non-executive Directors.