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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 2022

HIGHLIGHTS	Six months ended 30 June	
	2022	2021
Property sales (including joint venture and associate projects)		
– Mainland China projects	RMB14,674 million	RMB26,000 million
– Hong Kong projects	RMB113 million	RMB12,102 million
Property delivery (including joint venture and associate projects)	RMB8,699 million	RMB10,984 million
Toll revenue from expressway projects	RMB1,820 million	RMB1,895 million
Profit for the period	HK\$469 million	HK\$647 million
	30 June	31 December
	2022	2021
Total assets	HK\$102,255 million	HK\$108,236 million
Bank balances and cash	HK\$10,370 million	HK\$12,600 million
Equity attributable to owners of the Company	HK\$21,758 million	HK\$22,337 million
Net assets per share attributable to owners of the Company	HK\$29.04	HK\$29.81

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 2022, together with the comparative figures for the corresponding period in 2021 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 together with audited comparative figures as at 31 December 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>NOTES</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	4,972,900	4,949,038
Cost of sales		(3,165,290)	(3,672,569)
Gross profit		1,807,610	1,276,469
Interest income		227,189	180,489
Other income		93,244	74,773
Other gains and losses	5	(585,708)	292,425
Selling expenses		(245,015)	(365,760)
Administrative expenses		(378,480)	(403,661)
Share of results of associates		30,063	142,053
Share of results of joint ventures	6	405,947	400,255
Finance costs	7	(549,537)	(513,136)
Profit before taxation	8	805,313	1,083,907
Income tax expenses	9	(336,381)	(437,094)
Profit for the period		468,932	646,813
Profit attributable to:			
Owners of the Company		85,431	325,132
Owners of perpetual capital securities		266,321	262,092
Other non-controlling interests of subsidiaries		117,180	59,589
		468,932	646,813
Earnings per share	<i>11</i>		
– Basic		HK\$0.11	HK\$0.43
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	468,932	646,813
Other comprehensive (expense) income		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	52,224	(34,436)
Share of other comprehensive expense of joint ventures	(6,346)	–
Reclassified to profit or loss upon termination of hedging instruments	–	53,111
<i>Item that will not be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	(670,023)	733,055
Other comprehensive (expense) income for the period	(624,145)	751,730
Total comprehensive (expense) income for the period	(155,213)	1,398,543
Total comprehensive (expense) income attributable to:		
Owners of the Company	(429,379)	1,039,518
Owners of perpetual capital securities	266,321	262,092
Other non-controlling interests of subsidiaries	7,845	96,933
	(155,213)	1,398,543

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	92,311	93,253
Right-of-use assets	52,985	82,685
Investment properties	4,322,934	4,263,014
Interests in associates	1,606,103	1,606,893
Interests in joint ventures	18,771,713	19,320,801
Deferred tax assets	278,842	196,304
Amounts due from joint ventures	7,254,870	11,628,741
Amounts due from other non-controlling interests of subsidiaries	1,002,080	306,198
Loan receivables	2,248,700	1,983,620
Financial assets at fair value through profit or loss ("FVTPL")	876,757	899,080
	36,507,295	40,380,589
Current assets		
Inventory of properties	44,030,526	44,667,671
Prepayment for land leases	–	478,012
Amounts due from joint ventures and associates	5,298,261	3,341,987
Amounts due from other non-controlling interests of subsidiaries	1,370,845	2,122,295
Loan receivables	447,544	558,008
Debtors, deposits and prepayments	2,576,886	2,398,928
Prepaid income tax	1,530,855	1,575,271
Pledged bank deposits	122,186	113,395
Bank balances and cash	10,370,383	12,599,575
	65,747,486	67,855,142
Total assets	102,254,781	108,235,731

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		74,934	74,934
Reserves		<u>21,683,238</u>	<u>22,262,484</u>
		<u>21,758,172</u>	<u>22,337,418</u>
Owners of perpetual capital securities		6,956,605	6,954,296
Other non-controlling interests of subsidiaries		<u>6,169,521</u>	<u>6,506,666</u>
Total equity		<u>34,884,298</u>	<u>35,798,380</u>
Non-current liabilities			
Bank and other borrowings		24,107,029	30,402,464
Amounts due to joint ventures		1,026,272	386,081
Deferred tax liabilities		1,401,671	1,362,754
Financial liabilities at FVTPL		249,842	111,793
Lease liabilities		<u>38,917</u>	<u>67,663</u>
		<u>26,823,731</u>	<u>32,330,755</u>
Current liabilities			
Creditors and accrued charges	13	7,942,625	10,703,320
Amounts due to joint ventures and associates		4,693,079	5,010,168
Amounts due to other non-controlling interests of subsidiaries		1,516,333	1,938,642
Contract liabilities		8,370,847	8,406,644
Lease liabilities		18,496	24,417
Income tax payable		5,148,547	5,954,969
Bank and other borrowings		12,751,635	7,923,720
Financial liabilities at FVTPL		<u>105,190</u>	<u>144,716</u>
		<u>40,546,752</u>	<u>40,106,596</u>
Total equity and liabilities		<u>102,254,781</u>	<u>108,235,731</u>

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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board which is relevant to the Group: Cost necessary to sell inventories (HKAS 2 “Inventories”). The Group is still in the process of assessing the potential impact of another agenda decision: Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (HKAS 7 “Statement of Cash Flows”).

The application of the amendments to HKFRSs and agenda decision 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 2022			Six months ended 30 June 2021		
	Property development and investment	Investment and asset management	Total	Property development and investment	Investment and asset management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Types of goods or services						
Property sales	4,514,214	47,435	4,561,649	4,509,910	53,542	4,563,452
Property management and service income	332,115	5,997	338,112	266,324	4,625	270,949
Total	4,846,329	53,432	4,899,761	4,776,234	58,167	4,834,401
Geographical market						
Mainland China	4,753,497	53,432	4,806,929	3,571,487	58,167	3,629,654
Hong Kong	92,832	-	92,832	1,204,747	-	1,204,747
Total	4,846,329	53,432	4,899,761	4,776,234	58,167	4,834,401
Timing of revenue recognition						
Goods recognised at a point in time	4,514,214	47,435	4,561,649	4,509,910	53,542	4,563,452
Services recognised over time	332,115	5,997	338,112	266,324	4,625	270,949
Total	4,846,329	53,432	4,899,761	4,776,234	58,167	4,834,401

(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 2022			Six months ended 30 June 2021		
	Property development and investment	Investment and asset management	Total	Property development and investment	Investment and asset management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers (note 3(a))	4,846,329	53,432	4,899,761	4,776,234	58,167	4,834,401
Rental income from commercial properties and other revenue	69,238	3,901	73,139	91,842	22,795	114,637
Total revenue of the Group (note 4)	4,915,567	57,333	4,972,900	4,868,076	80,962	4,949,038

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Property sales and service income	4,899,761	4,834,401
Rental income from commercial properties and other revenue	73,139	114,637
Total revenue of the Group	<u>4,972,900</u>	<u>4,949,038</u>
Group's share of revenue of property joint ventures and associates	<u>2,680,611</u>	<u>4,077,112</u>
Group's share of toll revenue of infrastructure joint ventures	<u>936,331</u>	<u>954,127</u>
Revenue of the Group and Group's share of revenue of the joint ventures and associates	<u>8,589,842</u>	<u>9,980,277</u>

4. SEGMENT INFORMATION

The Group determines its operating segments based on internal reporting about components that are regularly reviewed by the chief operating decision makers (the "CODM"). Information reported to the Group's CODM, who mainly are the executive directors of the Company, for the purposes of resource allocation and assessment of performance is mainly focused on the different management teams of the related business operations (including interests in joint ventures and associates) stated as below:

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 2022				Six months ended 30 June 2021			
	Property development and investment		Investment and asset management		Property development and investment		Investment and asset management	
	Toll road			Total	Toll road			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>4,915,567</u>	<u>-</u>	<u>57,333</u>	<u>4,972,900</u>	<u>4,868,076</u>	<u>-</u>	<u>80,962</u>	<u>4,949,038</u>
Segment profit (loss)	<u>586,551</u>	<u>308,604</u>	<u>(356,706)</u>	<u>538,449</u>	<u>649,856</u>	<u>303,421</u>	<u>(278,623)</u>	<u>674,654</u>
	At 30 June 2022				At 31 December 2021			
	Property development and investment		Investment and asset management		Property development and investment		Investment and asset management	
	Toll road			Total	Toll road			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 associates)	<u>84,511,483</u>	<u>6,573,138</u>	<u>10,299,287</u>	<u>101,383,908</u>	<u>90,026,698</u>	<u>6,547,594</u>	<u>10,613,053</u>	<u>107,187,345</u>
Segment liabilities	<u>(64,342,901)</u>	<u>(234,882)</u>	<u>(1,478,528)</u>	<u>(66,056,311)</u>	<u>(69,071,043)</u>	<u>(453,764)</u>	<u>(1,599,012)</u>	<u>(71,123,819)</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, other gains and 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 corporate income and expenses. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment assets represent assets held by each segment without allocation of corporate assets which are mainly right-of-use assets, other receivables, deposits and prepayments, and bank balances and cash.

Segment liabilities represent liabilities held by each segment without allocation of corporate liabilities which are mainly accrued charges, bank and other borrowings, financial liabilities at FVTPL and lease liabilities.

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Total segment profit	538,449	674,654
Unallocated items:		
Interest income	764	1,138
Corporate income	–	16,052
Corporate expenses	(33,046)	(7,087)
Finance costs	(37,235)	(37,944)
	<u>468,932</u>	<u>646,813</u>
Consolidated profit for the period	468,932	646,813
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Total segment assets	101,383,908	107,187,345
Unallocated assets:		
Right-of-use assets	18,702	21,507
Other receivables, deposits and prepayments	67,623	57,138
Bank balances and cash	784,548	969,741
	<u>102,254,781</u>	<u>108,235,731</u>
Consolidated total assets	102,254,781	108,235,731
Total segment liabilities	(66,056,311)	(71,123,819)
Unallocated liabilities:		
Accrued charges	(8,152)	(11,023)
Bank and other borrowings	(1,285,841)	(1,277,521)
Financial liabilities at FVTPL	–	(2,043)
Lease liabilities	(20,179)	(22,945)
	<u>(67,370,483)</u>	<u>(72,437,351)</u>
Consolidated total liabilities	(67,370,483)	(72,437,351)

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Net exchange (losses) gains	(490,034)	404,235
Change in fair value of financial liabilities at FVTPL – relating to the foreign currency forward contracts	<u>20</u>	<u>(93,720)</u>
	(490,014)	310,515
Change in fair value of financial asset at FVTPL – relating to the investment in a listed entity	(5,402)	(29,308)
Loss on disposal of interest in a joint venture	(20,582)	–
Net gains on termination of hedging instruments	–	5,386
Net gains on disposals/written off of property, plant and equipment	477	265
Impairment loss on loan receivables	(34,814)	–
Fair value (losses) gains on transfer of completed properties held for sale to investment properties	(687)	243
Change in fair value of investment properties	<u>(34,686)</u>	<u>5,324</u>
	<u>(585,708)</u>	<u>292,425</u>

6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	609,807	606,423
Less share of:		
Amortisation of toll road operation rights	(137,034)	(153,273)
Income tax expenses	<u>(122,615)</u>	<u>(106,779)</u>
	350,158	346,371
Share of profits of other joint ventures	<u>55,789</u>	<u>53,884</u>
	<u>405,947</u>	<u>400,255</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest on borrowings	1,065,545	1,152,287
Interest on lease liabilities	1,395	2,886
Other interest and finance costs	64,973	144,525
	<u>1,131,913</u>	<u>1,299,698</u>
Less: Capitalised in properties under development for sale	<u>(582,376)</u>	<u>(786,562)</u>
	<u>549,537</u>	<u>513,136</u>

8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of right-of-use assets	10,038	14,611
Depreciation of property, plant and equipment	8,138	7,676
	<u>18,176</u>	<u>22,287</u>
Less: Capitalised in properties under development for sale	<u>(137)</u>	<u>(625)</u>
	<u>18,039</u>	<u>21,662</u>
and after crediting:		
Bank interest income	45,741	75,264
	<u>45,741</u>	<u>75,264</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	1,490	42,328
PRC enterprise income tax ("EIT")	311,697	176,659
PRC land appreciation tax ("LAT")	2,484	127,209
Withholding tax	42,706	34,848
	<u>358,377</u>	<u>381,044</u>
Deferred tax	<u>(21,996)</u>	<u>56,050</u>
	<u>336,381</u>	<u>437,094</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%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The provision of LAT is estimated according to the requirements set forth in the relevant the People's Republic of China ("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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
2021 final dividend paid of HK\$0.20 (six months ended 30 June 2021: 2020 final dividend paid of HK\$0.55) per share	149,867	412,135

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$0.15 per share).

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic earnings per share attributable to owners of the Company	85,431	325,132
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	749,337	749,337

No diluted earnings per share for the six months ended 30 June 2022 and 2021 were presented as there were no dilutive potential ordinary shares in issue for both interim periods.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Aged analysis of trade debtors, presented based on invoice dates (<i>note</i>):		
Within 60 days	100,174	197,835
61 to 90 days	1,831	2,175
More than 90 days	66,014	39,954
	<hr/>	<hr/>
Trade debtors from contracts with customers		
derived from goods and services	168,019	239,964
Prepayment for land development cost	591,017	602,410
Deposits paid for acquisition of inventory of properties	616,787	616,629
Prepayment of value added tax and other taxes	409,159	344,893
Consideration receivable	26,596	–
Other receivables, deposits and prepayments	765,308	595,032
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	2,576,886	2,398,928
	<hr/> <hr/>	<hr/> <hr/>

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 2022 HK\$'000	31 December 2021 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	780,458	845,617
61 to 90 days	73,652	47,661
More than 90 days	1,378,835	1,570,151
	<u>2,232,945</u>	<u>2,463,429</u>
Bills payables		
Within 60 days	5,902	38,730
61 to 90 days	2,408	15,720
More than 90 days	40,537	44,568
	<u>48,847</u>	<u>99,018</u>
Accrued construction costs	<u>3,324,495</u>	<u>5,241,400</u>
	<u>5,606,287</u>	<u>7,803,847</u>
Accrued taxes (other than EIT and LAT)	471,550	670,313
Consideration payable from acquisition of subsidiaries and joint ventures	288,608	489,046
Other payables	<u>1,576,180</u>	<u>1,740,114</u>
	<u>7,942,625</u>	<u>10,703,320</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2022 amounted to HK\$61,708,029,000 (31 December 2021: HK\$68,129,135,000). The Group's net current assets at 30 June 2022 amounted to HK\$25,200,734,000 (31 December 2021: HK\$27,748,546,000).

DIVIDEND

The Board has resolved not to declare the payment of any interim dividend (2021: HK\$0.15 per share) for the six months ended 30 June 2022.

BUSINESS REVIEW

Results for the first half of 2022

Property sales and toll revenue of the expressway projects of the Group (including joint venture and associate projects) for the first half of 2022 were RMB14,787 million equivalent and RMB1,820 million equivalent respectively, totaling approximately RMB16,607 million. For the first half of 2022, the Group achieved a profit of HK\$469 million, with profit attributable to shareholders of HK\$85 million, earnings per share of HK\$0.11 and net assets per share of HK\$29.04.

Business Overview

During the first half of 2022, the ongoing collapse of vulnerable real estate enterprises continued to take a toll on the confidence in the property market in Mainland China. Together with the repeated COVID-19 pandemic (the “Pandemic”) in multiple cities and the associated lockdowns and Pandemic control measures, the property market experienced additional pressure and faced severe challenges. The market remained sluggish in the first half of the year, with a significant drop in sales volume and a year-on-year decline in property development investment. As a pillar industry in Mainland China, the stability of the real estate sector plays a significant role in the stable social and economic development. Therefore, in the first half of this year, the central government and the authorities were on the move to send out positive signals by implementing city-specific policies and further relaxing the restrictions on property purchase and utilisation of provident funds. The policy environment in the industry entered an easing cycle, however the confidence of property buyers in the economy and the property market is unlikely to be fully restored in the near future.

The Group’s operation team closely monitored the market and seized the window of opportunity to achieve total property sales (including joint venture and associate projects) of RMB14,787 million in Mainland China and Hong Kong for the first half of 2022, comprising the contracted sales of RMB12,514 million and outstanding subscribed sales of RMB2,273 million. The sales mainly concentrated in Yangtze River Delta Region and the Bohai Rim Region with an average selling price of RMB22,700 per sqm. In the first half of 2021, the Group’s total property sales recorded a substantial increase of about 90% as the property sales in Hong Kong increased significantly to HK\$14,476 million due to the overwhelming responses on the sales of the new project Southland in Wong Chuk Hang, Hong Kong. In the first half of 2022, no pre-sale of new project was launched in Hong Kong, resulting in a significant drop in total sales as compared with the corresponding period of last year.

In the first half of 2022, while a succession of concentrated land supply was launched in Mainland China, the volume of land transactions was significantly reduced due to the fact that real estate enterprises remained cautious in land acquisition because of downturn in property market, tight liquidity, etc. Stated-owned enterprises still dominated land market. In March 2022, the Group's property segment acquired through co-development a residential land parcel in Beijing with a total gross floor area of approximately 71,000 sqm at a total consideration of approximately RMB1,400 million and shared a 49% equity interest in the project. As at 30 June 2022, the Group had a total land reserve of approximately 5,710,000 sqm, of which the total area pre-sold but yet to be delivered was 1,340,000 sqm.

In the first half of 2022, the Group's property delivery (including joint venture and associate projects) was approximately RMB8,699 million, mainly from projects in the Yangtze River Delta Region. The gross profit margin was approximately 36%. The increase of gross profit margin was mainly due to the delivery of certain high margin projects and cost savings in settlement of previously completed projects during the period. Profit from the property segment was approximately HK\$587 million for the period.

In the first half of 2022, the Group's average daily traffic volume and toll revenue of the expressway projects reached 275,100 vehicles and RMB1,820 million, representing a decrease of 17% and 4% respectively, as compared with the corresponding period of last year.

In the first half of the year, in addition to adverse weather conditions in northern China, several major cities imposed strict lockdown due to the repercussions of the Pandemic in Mainland China, resulting in a sharper fall in the number of passenger vehicles, with the average daily traffic volume dropping by 25% compared to the corresponding period of last year. As the central government had put in place policies to ensure the smoothness of freight and logistics and resumption of work and production, the Pandemic control had less impact on trucks. In the first half of 2022, the toll revenue from the Group's expressways in Mainland China declined by 16% to RMB1,376 million as compared with the corresponding period of last year, representing a smaller drop than that of traffic volume. With better control of the Pandemic in Mainland China and a series of governmental stimulus packages, it is expected that the domestic economy will return to a stable upward momentum, and the toll revenue and traffic volume of the Group's expressways in Mainland China will both increase in the second half of the year.

In the first half of the year, the Pandemic in Indonesia became stable and traffic volume increased significantly from April during Ramadan and the Easter holidays onwards. During Eid al-Fitr in May, the local government relaxed the strict traffic restrictions imposed last year, resulting in a 104% year-on-year increase in monthly toll revenue and 96% year-on-year increase in the average daily traffic volume in May. It is expected that the current trend of economic development and Pandemic control will maintain the same in the second half of the year, and the toll revenue and traffic volume of the Group's expressways in Indonesia will continue to increase steadily.

In the first half of 2022, in addition to the year-on-year increase of 69% in the toll revenue from the Group's expressways in Indonesia, the Group also implemented cost-saving measures on expressways in Mainland China to offset the impact of toll revenue reduction from certain expressways in Mainland China, resulting in a toll road segment profit (net of head office expenses and taxation) of HK\$309 million which represented an increase as compared with the corresponding period of last year. During the corresponding period, the Group received a cash distribution from its expressway joint ventures of HK\$488 million, which has resumed to the pre-Pandemic level.

After reorganisation and rectification, the business scale of the remaining original investment and asset management businesses, which mainly comprised real estate fund investment as well as cultural and entertainment businesses, has been significantly reduced and investment in new businesses has been ceased. Going forward, the Group will continue to review the operation of its remaining businesses and take appropriate action in due course.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2022, the equity attributable to owners of the Company was HK\$21,758 million (31 December 2021: HK\$22,337 million). Net assets per share attributable to owners of the Company was HK\$29.04 (31 December 2021: HK\$29.81).

As at 30 June 2022, the Group's total assets were HK\$102,255 million (31 December 2021: HK\$108,236 million) and bank balances and cash were HK\$10,370 million (31 December 2021: HK\$12,600 million), of which 87% was denominated in Renminbi and the remaining 13% 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. The Group will continue to maintain healthy treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the Group.

As confidence in the market continued to be rattled by the ongoing collapse of vulnerable real estate enterprises, coupled with lockdowns and Pandemic control measures, debt and equity investors and customers became increasingly cautious in investing in real estate, which created a negative impact on the overall capital flows of the industry. On one hand, the Group stepped up its efforts to manage project cash flows and ensure property delivery. On the other hand, it will materialize real estate projects with longer fund recovery period when opportunities arise.

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\$1,976 million. The drawdown of new loans was offset by the 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\$2,576 million of guaranteed senior notes with annual rates ranging from 5.125% to 7.875% (the Group redeemed US\$22 million of notes after the reporting period); and
- (b) RMB869 million 6.5% domestic bonds.

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

- (a) US\$600 million senior guaranteed perpetual capital securities with distribution rates of 7% and 7.95%; and
- (b) US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities.

As at 30 June 2022, the net gearing ratio and the net capitalisation ratio of the Group were 76% and 43% 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.

Charges on Assets

As at 30 June 2022, bank balances of HK\$122 million (31 December 2021: HK\$113 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and banking facilities granted to the Group. In addition to these pledged bank deposits, properties with carrying value of HK\$15,740 million (31 December 2021: HK\$10,241 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 2022, the Group recorded net exchange loss of approximately HK\$490 million. For minimising the impacts arising from fluctuation of exchange rate between US dollar and Renminbi on the Group, the Group had 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.

Financial Guarantee Contracts

As at 30 June 2022, the Group had provided guarantees of HK\$7,756 million (31 December 2021: HK\$8,398 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\$4,877 million (31 December 2021: HK\$4,098 million) for banking facilities granted to the joint ventures of the Group as at 30 June 2022.

Employees

Excluding the staff of joint ventures and associates, the Group had 4,449 employees as at 30 June 2022. Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$501 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, the property market in Mainland China is expected to bottom out and stabilize. It is anticipated that the central and local governments will continue to introduce favourable policies for the stable and healthy development of the real estate industry. Meanwhile, financial policies are expected to achieve counter-cyclical adjustment and the property industry will shift from deleveraging towards stabilizing leverage to fulfill reasonable corporate financing needs and to maintain the stability and order in real estate financing. The unsettled global Pandemic and the uncertainties in the international economic and political environment will continue to impact on the overall economy of Mainland China in the short term. However, with the swift implementation of economic stabilisation policies, the economy and property market in Mainland China are expected to recover gradually in the second half of the year. 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 strive to ensure property delivery and enhance its control on cash flow. To establish the Group as a more widely recognised and reliable developer, it will continue to research and develop market-oriented products and promote the brand name of the Group.

For its toll road segment, the Group will continue to look for new expressway projects with promising returns in Mainland China and the Asia-Pacific region, 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\$16 million of US\$400 million 7.875% guaranteed senior notes due 2023 (the "Notes") issued by RKPF Overseas 2019 (A) Limited. Following the redemption, the Notes were cancelled and in an aggregate principal amount of US\$380 million remain outstanding as at 30 June 2022. Subsequent to the reporting period, the Group redeemed US\$22 million of the Notes.

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 2022.

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 2022, 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 2022.

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, 24 August 2022

As at the date of this announcement, the Board comprises Messrs. Zen Wei Peu, Derek, Ko Yuk Bing, Fong Shiu Leung, Keter and Ng Fun Hung, Thomas as Executive Directors, Ms. Cai Xun and Mr. Xu Enli as Non-executive Directors and Messrs. Lau Sai Yung, Tse Chee On, Raymond, Wong Wai Ho and Ms. Hui Grace Suk Han as Independent Non-executive Directors.