ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

	2018	2017
Property sales (including joint venture projects)	**RMB34,503 million**	RMB26,304 million
Property delivery (including joint venture projects)	**RMB22,131 million**	RMB12,878 million
Toll revenue from expressway toll roads	**RMB3,079 million**	RMB2,661 million
Profit for the year	**HK$3,699 million**	HK$2,476 million
Equity attributable to owners of the Company	**HK$17,398 million**	HK$15,635 million
Total assets	**HK$78,952 million**	HK$69,735 million
Bank balances and cash	**HK$11,793 million**	HK$8,552 million
Net assets per share attributable to owners of the Company	**HK$23.22**	HK$20.90
Earnings per share	**HK$3.99**	HK$2.61
Dividend per share (interim and proposed final)	**HK$1.18**	HK$0.93
Gross profit margin	**45%**	40%
Net gearing ratio	**35%**	54%

RESULTS

The Board of Directors (the "Board") of Road King Infrastructure Limited (the "Company") is pleased to announce the audited consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 and consolidated statement of financial position of the Group as at 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue	*3*	**22,365,223**	14,755,770
Cost of sales		**(12,300,781)**	(8,840,203)
Gross profit		**10,064,442**	5,915,567
Interest income		**778,753**	379,747
Other income		**62,238**	60,261
Other gains and losses	*5*	**(104,394)**	264,731
Selling expenses		**(682,454)**	(507,291)
Administrative expenses		**(896,345)**	(769,625)
Share of results of associates		**(14,109)**	(9,598)
Share of results of joint ventures	*6*	**972,699**	470,963
Finance costs	*7*	**(683,774)**	(363,367)
Profit before taxation	*8*	**9,497,056**	5,441,388
Income tax expenses	*9*	**(5,798,453)**	(2,965,394)
Profit for the year		**3,698,603**	2,475,994
Profit for the year attributable to:			
Owners of the Company		**2,988,242**	1,943,703
Owners of perpetual capital securities		**349,830**	246,621
Non-controlling interests of subsidiaries		**360,531**	285,670
		3,698,603	2,475,994
Earnings per share	*11*		
– Basic		**HK$3.99**	HK$2.61
– Diluted		**HK$3.99**	HK$2.61

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**3,698,603**	2,475,994
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(936,353)**	916,692
Total comprehensive income for the year	**2,762,250**	3,392,686
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,116,696**	2,806,710
Owners of perpetual capital securities	**349,830**	246,621
Non-controlling interests of subsidiaries	**295,724**	339,355
	2,762,250	3,392,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**203,083**	121,137
Investment properties		**2,516,218**	2,583,810
Interests in associates		**811,115**	825,405
Interests in joint ventures		**9,962,924**	6,464,609
Deferred tax assets		**130,176**	40,907
Amounts due from joint ventures		**10,180,660**	8,270,231
Loan receivables		**196,190**	1,115,465
Financial assets at fair value through profit or loss ("FVTPL")		**514,286**	–
Long-term prepayments	*12*	**70,200**	70,020
		24,584,852	19,491,584
Current assets			
Inventory of properties		**31,614,778**	30,216,830
Prepayment for land leases		**606,284**	186,524
Amounts due from joint ventures		**3,713,510**	6,622,181
Loan receivables		**2,161,126**	744,203
Debtors, deposits and prepayments	*12*	**3,581,178**	3,082,346
Prepaid income tax		**634,225**	635,347
Financial assets at FVTPL		**133,564**	5,889
Pledged bank deposits		**128,951**	198,337
Bank balances and cash		**11,793,235**	8,552,217
		54,366,851	50,243,874
Total assets		**78,951,703**	69,735,458

	NOTES	2018 HK$'000	2017 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**74,934**	74,814
Reserves		**17,323,129**	15,560,264
		17,398,063	15,635,078
Perpetual capital securities		**4,632,638**	4,633,096
Non-controlling interests of subsidiaries		**2,736,741**	1,346,252
Total equity		**24,767,442**	21,614,426
Non-current liabilities			
Bank and other borrowings		**10,183,873**	15,818,724
Deferred tax liabilities		**923,315**	784,083
		11,107,188	16,602,807
Current liabilities			
Creditors and accrued charges	*13*	**9,824,931**	8,362,246
Amounts due to joint ventures and an associate		**1,247,350**	779,411
Contract liabilities	*2*	**16,288,131**	–
Deposits from pre-sale of properties	*2*	**–**	15,356,682
Income tax payable		**5,255,537**	2,445,243
Bank and other borrowings		**10,461,124**	4,574,643
		43,077,073	31,518,225
Total equity and liabilities		**78,951,703**	69,735,458

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. 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 opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

Upon application of HKFRS 15, the recognition of significant financing component arising from the sale of properties decreased the retained profits of the Group at 1 January 2018 by HK$57,077,000 and the corresponding tax effect is considered as insignificant to the Group.

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

	Notes	**Carrying amounts previously reported at 31 December 2017** *HK$'000*	**Reclassification** *HK$'000*	**Remeasurement** *HK$'000*	**Carrying amounts under HKFRS 15 at 1 January 2018** *HK$'000*
Current assets					
Inventory of properties	*(a)*	30,216,830	–	389,468	30,606,298
Capital and reserves					
Reserves	*(a)*	15,560,264	–	(57,077)	15,503,187
Current liabilities					
Deposits from pre-sale of properties	*(b)*	15,356,682	(15,356,682)	–	–
Contract liabilities	*(a) & (b)*	–	15,356,682	446,545	15,803,227
		15,356,682	–	446,545	15,803,227

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 not eligible for capitalisation of HK$57,077,000 have been debited to retained profits with corresponding adjustment of HK$446,545,000 to contract liabilities. The corresponding tax effect is considered as insignificant to the Group.

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position at 31 December 2018

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Non-current assets			
Deferred tax assets	130,176	(19,961)	110,215
Current assets			
Inventory of properties	31,614,778	(321,106)	31,293,672
Total assets	78,951,703	(341,067)	78,610,636
Capital and reserves			
Reserves	17,323,129	114,810	17,437,939
Total equity	24,767,442	114,810	24,882,252
Current liabilities			
Contract liabilities	16,288,131	(16,288,131)	–
Deposits from pre-sale of properties	–	15,832,254	15,832,254
Total equity and liabilities	78,951,703	(341,067)	78,610,636

Impact on the consolidated statement of profit or loss for the year ended 31 December 2018

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Revenue	22,365,223	(684,186)	21,681,037
Cost of sales	(12,300,781)	517,590	(11,783,191)
Finance costs	(683,774)	248,985	(434,789)
Profit before taxation	9,497,056	82,389	9,579,445
Profit for the year	3,698,603	61,791	3,760,394

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Profit for the year	3,698,603	61,791	3,760,394
Other comprehensive expense	(936,353)	(4,059)	(940,412)
Total comprehensive income for the year	2,762,250	57,732	2,819,982

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, 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 under ECL model) 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 opening 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".

Summary of effects arising from initial application of HKFRS 9

(a) Financial assets at FVTPL

The Group has structured foreign currency forward contracts classified as financial assets at FVTPL under HKAS 39. These derivatives continued to be measured at FVTPL upon application of HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade debtors. Except for those which had been determined as credit impaired under HKAS 39, trade debtors have been assessed individually.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances, other debtors, loan receivables and amounts due from joint ventures, are assessed on a 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to banks for mortgage facilities granted to customers of the Group's properties and banking facilities granted to joint ventures with a total of HK$13,065,294,000 (2017: HK$10,530,150,000), the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis. As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

2.3 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 existing at that date. There is no impact to the classification at 1 January 2018.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 *Effective for annual periods beginning on or after 1 January 2019.*
2 *Effective for annual periods beginning on or after 1 January 2021.*
3 *Effective for annual periods beginning on or after a date to be determined.*
4 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective. HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$65,098,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently had insignificant balances of refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE

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

	2018		
	Property development and investment *HK$'000*	**Investment and asset management** *HK$'000*	**Total** *HK$'000*
Types of goods or services			
Property sales	21,379,649	11,153	21,390,802
Property management and service income	647,336	24,311	671,647
Total	22,026,985	35,464	22,062,449
Geographical market			
Mainland China	22,026,985	35,464	22,062,449
Timing of revenue recognition			
Goods recognised at a point in time	21,379,649	11,153	21,390,802
Services recognised over time	647,336	24,311	671,647
Total	22,026,985	35,464	22,062,449

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

	2018		
	Property development and investment *HK$'000*	**Investment and asset management** *HK$'000*	**Total** *HK$'000*
Property sales	21,379,649	11,153	21,390,802
Property management and service income	647,336	24,311	671,647
Revenue from contracts with customers	22,026,985	35,464	22,062,449
Fund investment income *(note)*	–	173,874	173,874
Gross rental and other income from commercial properties	116,173	12,727	128,900
Other revenue	116,173	186,601	302,774
Total revenue *(note 4)*	22,143,158	222,065	22,365,223

Note: It mainly represents interest revenue on loan receivables calculated by using effective interest method.

(a) Performance obligations for contracts with customers

For contracts entered into with customers on sale of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sale of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

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.

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 amounting to HK$14.8 billion. Management expects that 84% and 16% of the amount will be recognised in profit or loss within one year and more than one year respectively. The amount disclosed above does not include unsatisfied performance obligation that were related to the Group's contracts with customers with an original duration of one year or less.

All property management and service income are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. Total Revenue of the Group

	2018	2017
	HK$'000	*HK$'000*
Property sales	**21,390,802**	14,097,717
Property management and service income	**671,647**	431,503
Fund investment income	**173,874**	134,631
Gross rental and other income from commercial properties	**128,900**	91,919
Total revenue of the Group	**22,365,223**	14,755,770
Group's share of revenue of property joint ventures	**3,048,339**	172,250
Group's share of toll revenue of infrastructure joint ventures	**1,575,363**	1,332,329
Revenue of the Group and Group's share of revenue of joint ventures	**26,988,925**	16,260,349

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 fund, cultural attraction and tourism and entertainment and content development businesses

No other operating segments have been aggregated in arriving at the reportable segments of the Group.

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

	2018				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 revenue	**22,143,158**	**–**	**222,065**	**22,365,223**	14,414,002	–	341,768	14,755,770
Segment profit	**2,959,317**	**578,446**	**245,847**	**3,783,610**	1,999,848	414,595	114,856	2,529,299
Segment assets (including interests in joint ventures and associates)	**63,643,205**	**5,299,866**	**7,902,496**	**76,845,567**	54,807,629	4,518,538	8,975,235	68,301,402
Segment liabilities	**(48,875,061)**	**(269,898)**	**(3,313,815)**	**(52,458,774)**	(42,422,077)	(66,585)	(4,071,992)	(46,560,654)

(a) Measurement

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies.

Segment profit represents profit earned by each segment, which includes share of results of associates, share of results of joint ventures, net (losses) gains on disposal of subsidiaries, gain on disposal of interest in a joint venture, 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 financial assets at FVTPL, net exchange (losses) gains, depreciation of property, plant and equipment, 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 revenue from external customers. There was no inter-segment revenue.

Segment assets include property, plant and equipment, investment properties, interests in associates, 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, 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 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.

Additions to non-current assets are the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprise purchase of property, plant and equipment, investment properties and capital contributions to joint ventures and associates directly attributable to the segment.

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

	2018	2017
	HK$'000	*HK$'000*
Total segment profit	**3,783,610**	2,529,299
Unallocated items:		
Interest income	**4,252**	3,051
Corporate income	**92**	183
Corporate expenses	**(33,395)**	(6,435)
Finance costs	**(55,956)**	(50,104)
Consolidated profit for the year	**3,698,603**	2,475,994
Total segment assets	**76,845,567**	68,301,402
Unallocated assets:		
Property, plant and equipment	**19**	50
Deposits and prepayments	**60,014**	6,656
Financial assets at FVTPL	**26,713**	1,177
Bank balances and cash	**2,019,390**	1,426,173
Consolidated total assets	**78,951,703**	69,735,458
Total segment liabilities	**(52,458,774)**	(46,560,654)
Unallocated liabilities:		
Accrued charges	**(10,965)**	(105,733)
Bank and other borrowings	**(1,714,522)**	(1,454,645)
Consolidated total liabilities	**(54,184,261)**	(48,121,032)

(c) Other segment information

	2018					2017				
	Property development and investment	**Toll road**	**Investment and asset management**	**Unallocated**	**Consolidated total**	Property development and investment	Toll road	Investment and asset management	Unallocated	Consolidated total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:										
Interest income	**738,242**	**26,797**	**9,462**	**4,252**	**778,753**	345,328	7,742	23,626	3,051	379,747
Net (losses) gains on disposal of subsidiaries	**(339)**	**–**	**–**	**–**	**(339)**	29,393	–	27,338	–	56,731
Gain on disposal of interest in a joint venture	**–**	**–**	**33,330**	**–**	**33,330**	–	–	–	–	–
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	**–**	**–**	**–**	**–**	–	–	1,374	–	1,374
Change in fair value of investment properties	**53,510**	**–**	**21,492**	**–**	**75,002**	(9,426)	–	121,379	–	111,953
Depreciation	**(29,230)**	**(308)**	**(1,343)**	**(30)**	**(30,911)**	(12,873)	(233)	(368)	(50)	(13,524)
Finance costs	**(580,631)**	**–**	**(47,187)**	**(55,956)**	**(683,774)**	(278,789)	–	(34,474)	(50,104)	(363,367)
Income tax expenses	**(5,749,235)**	**(32,049)**	**(17,169)**	**–**	**(5,798,453)**	(2,861,550)	(27,636)	(76,208)	–	(2,965,394)
Share of result of associates	**–**	**–**	**(14,109)**	**–**	**(14,109)**	–	–	(9,598)	–	(9,598)
Share of results of joint ventures	**67,338**	**664,151**	**241,210**	**–**	**972,699**	(35,917)	533,994	(27,114)	–	470,963
Interests in associates	**–**	**–**	**811,115**	**–**	**811,115**	–	–	825,405	–	825,405
Interests in joint ventures	**5,028,516**	**3,161,416**	**1,772,992**	**–**	**9,962,924**	2,281,303	3,409,565	773,741	–	6,464,609
Financial assets at FVTPL	**106,851**	**–**	**514,286**	**26,713**	**647,850**	4,712	–	–	1,177	5,889
Additions to non-current assets during the year	**1,305,727**	**17,284**	**1,087,609**	**–**	**2,410,620**	1,524,708	107	365,208	–	1,890,023

(d) Revenue from major products and services

The Group's revenue for the year mainly comprises sale of completed residential properties developed by the Group for sale purposes.

(e) Information about geographical areas

All of the Group's revenue is attributable to customers in the PRC and over 85% of the Group's total non-current assets (excluding deferred tax assets and financial instruments) are located in the PRC and the remaining non-current assets are located in Hong Kong.

(f) Information about major customers

In view of the nature of the toll road business, there are no major customers. For the property business and investment and asset management business, there was no customer who accounted for over 10% of the total revenue generated from the relevant operating and reportable segments.

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Net exchange (losses) gains	**(396,015)**	443,442
Change in fair value of financial assets at FVTPL relating to the currency swap contracts	**182,627**	(349,528)
	(213,388)	93,914
Net (losses) gains on disposal of subsidiaries	**(339)**	56,731
Gains on disposal of interest in a joint venture	**33,330**	–
Gains on disposal of property, plant and equipment	**1,001**	759
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	1,374
Change in fair value of investment properties	**75,002**	111,953
	(104,394)	264,731

6. SHARE OF RESULTS OF JOINT VENTURES

	2018	2017
	HK$'000	*HK$'000*
Share of profits of infrastructure joint ventures before amortisation and taxation	**1,130,839**	948,451
Less share of: Amortisation of toll road operation rights	**(256,898)**	(229,718)
Income tax expenses	**(209,790)**	(184,739)
	664,151	533,994
Share of profits (losses) of other joint ventures	**308,548**	(63,031)
	972,699	470,963

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on borrowings	**1,344,274**	1,116,685
Interest on loans from non-controlling interests of subsidiaries	**–**	4,321
Other interest and finance costs *(note 2.1)*	**415,287**	142,154
	1,759,561	1,263,160
Less: Capitalised in properties under development for sale	**(1,075,787)**	(899,793)
	683,774	363,367

Borrowing costs on general borrowings capitalised during the year are calculated by applying a capitalisation rate of 5.06% (2017: 5.10%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**31,791**	14,350
Less: Capitalised in properties under development for sale	**(880)**	(826)
	30,911	13,524
Minimum lease payments paid under operating lease rentals in respect of land and buildings	**14,470**	19,388
Salaries and other benefits	**925,371**	699,963
Provident fund scheme contributions, net of forfeited contributions of HK$236,000 (2017: HK$53,000)	**122,800**	99,624
Less: Capitalised in properties under development for sale	**(210,125)**	(179,986)
Total staff costs (excluding Directors' emoluments)	**838,046**	619,601
Audit fee	**4,130**	4,000
Cost of inventory of properties recognised as an expense	**11,674,834**	8,474,068
and after crediting:		
Bank interest income	**71,185**	48,929

9. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC enterprise income tax ("EIT")	**1,898,831**	1,177,316
PRC land appreciation tax ("LAT")	**3,755,200**	1,625,210
PRC withholding tax	**50,469**	70,350
	5,704,500	2,872,876
Deferred tax	**93,953**	92,518
	5,798,453	2,965,394

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 for 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. DIVIDENDS PAID

	2018	2017
	HK$'000	*HK$'000*
2017 final dividend paid of HK$0.78 (2017: 2016 final dividend of HK$0.55) per share	**584,483**	409,962
2018 interim dividend paid of HK$0.30 (2017: 2017 interim dividend of HK$0.15) per share	**224,800**	111,966
	809,283	521,928

Subsequent to the end of the reporting period, a final dividend in respect of 2018 of HK$0.88 per share amounting to a total of approximately HK$660 million has been proposed by the Board on 19 March 2019. The amount has not been included as a liability in the consolidated financial statements as it was not declared before the end of the reporting period.

The amount of the proposed final dividend has been calculated on the basis of 749,336,566 shares in issue as at 19 March 2019.

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:

	2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	**2,988,242**	1,943,703

	2018 Number of shares *'000*	2017 Number of shares *'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**749,045**	744,645
Effect of dilutive potential ordinary shares:		
Share options	**151**	1,043
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**749,196**	745,688

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 *HK$'000*	2017 *HK$'000*
Aged analysis of trade debtors, presented based on invoice dates *(note)*:		
Within 60 days	**65,899**	22,036
61 to 90 days	**6,678**	1,093
More than 90 days	**31,530**	34,163
Trade debtors derived from goods and services	**104,107**	57,292
Prepayment for land development cost	**586,286**	574,470
Deposits paid for acquisition of inventory of properties	**694,857**	468,631
Prepayment of value added tax and other taxes	**1,451,347**	786,497
Prepayment for property, plant and equipment and investment properties	**70,200**	70,020
Other receivables, deposits and prepayments	**744,581**	1,195,456
Total debtors, deposits and prepayments	**3,651,378**	3,152,366
Less: Amounts classified as non-current assets	**(70,200)**	(70,020)
Amounts classified as current assets	**3,581,178**	3,082,346

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

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited because the customer base is large and unrelated. The Directors consider that there is no credit loss provision required at the end of the reporting period.

13. CREDITORS AND ACCRUED CHARGES

	2018	2017
	HK$'000	*HK$'000*
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	**481,553**	237,027
61 to 90 days	**15,328**	11,366
More than 90 days	**854,397**	685,625
	1,351,278	934,018
Bills payables		
Within 60 days	**12,641**	89,579
61 to 90 days	**21,767**	15,476
More than 90 days	**5,201**	27,381
	39,609	132,436
Accrued construction costs	**5,467,177**	5,187,082
	6,858,064	6,253,536
Accrued taxes (other than EIT and LAT)	**965,047**	385,347
Consideration payable from acquisition of subsidiaries and joint ventures	**342,608**	356,884
Dividend payable to non-controlling interest of a subsidiary	**200,000**	–
Other payables	**1,459,212**	1,366,479
	9,824,931	8,362,246

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2018 amounted to HK$35,874,630,000 (2017: HK$38,217,233,000). The Group's net current assets at 31 December 2018 amounted to HK$11,289,778,000 (2017: HK$18,725,649,000).

DIVIDEND

The Board has resolved to recommend a final dividend of HK$0.88 (2017: HK$0.78) per share for the year ended 31 December 2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 28 May 2019, subject to approval of the Shareholders at the forthcoming annual general meeting. It is expected that the payment of the final dividend will be made on or before Friday, 28 June 2019, if approved.

CLOSURES OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming annual general meeting

The register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, 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 Wednesday, 15 May 2019 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Monday, 27 May 2019 to Tuesday, 28 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final 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 Friday, 24 May 2019 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

Results for 2018

For the year ended 31 December 2018, property sales and toll revenue of the Group (including joint venture projects) were RMB34,503 million and RMB3,079 million respectively, totaling RMB37,582 million, representing an increase of 30% as compared with 2017. The profit for each business segment of the Group also recorded a growth in 2018. The profit for the year of 2018 was HK$3,699 million, representing a significant increase of HK$1,223 million or 49% as compared with 2017, with earnings per share of HK$3.99 and net assets per share of HK$23.22.

Business Overview

In 2018, the property market in Mainland China fluctuated significantly as the government continued to deepen and widen its austerity measures. By closely following the market trend and adhering to the business principle of ensuring a balance between profitability and sales volume, the operation team of the Group concerted their efforts and drove property sales of the year (including joint venture projects) to a record high of RMB34,503 million, representing an increase of 31% as compared with last year. The Group's turnover increased significantly by more than 50% when compared with that of 2017, with a gross profit margin of 45%.

In the second half of 2018, the land market in Mainland China cooled down after the government stepped up the austerity measures. The Group seized the opportunities and further acquired four land parcels in the second half of the year, totaling nine land parcels with a gross floor area of 1,040,000 sqm for the year, for optimising and replenishing the land reserve of the Group. As at 31 December 2018, the Group's land reserve in Mainland China and Hong Kong were 7,880,000 sqm and 120,000 sqm respectively. Total land reserve was 8,000,000 sqm and total area of properties pre-sold but yet to be delivered was 1,930,000 sqm.

The total traffic volume and toll revenue of the Group's expressway projects were 94 million vehicles and RMB3,079 million respectively in 2018, representing an increase of approximately 11% and 16% as compared with those of 2017. Benefited from the economic growth arising from transformation and upgrade in the real economy of Beijing-Tianjin-Hebei Region and the three provinces of Northeast China, the traffic volume and toll revenue of the Baojin Expressway and Tangjin Expressway in Hebei Province recorded a double-digit growth. Besides, the operation of Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province became more matured, and the total toll revenue of these two expressways increased by 26% as compared with that of 2017.

In the second half of 2018, CVC Capital Partners ("CVC") acquired 25% equity interest of expressway business at a consideration of HK$2 billion by way of capital contribution, thus adding new momentum to the development of the Group's expressway business.

Business Segments Analysis

i) Property Segment

In 2018, the central and local governments of Mainland China continued to implement the previous year's specific austerity measures based on regional circumstances and guidance. In order to prevent the overheating of regional property markets, regulatory measures, such as regulating land auction, tightening home purchase restrictions and restriction on prices and mortgage, have gradually become routinised in various regions. This has led to a more complicated property market environment. Nonetheless, the Group adhered to its operating strategy of balancing sales volume and profitability, coupled with the flexible marketing approach and the dedication of the management team to boost sales, the property sales of the Group (including joint venture projects) increased to a record high of RMB31,648 million, of which the contracted sales reached RMB29,475 million and outstanding subscribed sales amounted to approximately RMB2,173 million.

Set out below is an analysis of the property segment's property sales and delivery by region (including joint venture projects) for 2018:

Regions	Sales		Delivery	
	Amount	**Area**	**Amount**	**Area**
(Notes)	*RMB'million*	*sqm*	*RMB'million*	*sqm*
Yangtze River Delta Region	20,261	1,161,000	11,239	656,000
Bohai Rim Region	7,609	423,000	7,661	394,000
Guangdong-Hong Kong-Macao Bay Area	2,827	117,000	1,254	66,000
Other regions	951	113,000	100	14,000
Total (2018)	31,648	1,814,000	20,254	1,130,000
Total (2017)	24,242	1,429,000	12,788	901,000

Notes:

Yangtze River Delta Region comprises Shanghai, Jiangsu Province and Zhejiang Province.
Bohai Rim Region comprises Beijing, Tianjin, Hebei Province and Shandong Province.
Guangdong-Hong Kong-Macao Bay Area comprises Guangdong Province and Hong Kong Special Administrative Region.
Other regions comprise Henan Province.

In 2018, property sales of the Group increased about 31% as compared with 2017, with the average selling price increases to approximately RMB17,400 per sqm. The sales mainly concentrated in Yangtze River Delta Region, representing about 64% of the total property sales. As at 31 December 2018, the total area of properties pre-sold but yet to be delivered was about 1,700,000 sqm.

Set out below is an analysis of the financial performance of the Group's property segment for 2018 and 2017:

	2018	2017
	HK$'million	*HK$'million*
Revenue	**22,143**	14,414
Gross profit	**9,881**	5,697
Selling and operating expenses	**(1,302)**	(1,011)
Profit for the year	**2,959**	2,000

In 2018, revenue of the Group's property segment was mainly contributed by the delivery of properties in Yangtze River Delta Region, which represented about 55% of the total property delivery. The average selling price per sqm was approximately RMB17,900, representing an increase of about 26% as compared with 2017. Gross profit margin was increased from 40% to approximately 45%. Profit of the property segment was approximately HK$2,959 million, representing a surge of 48% comparing to last year.

The Group seized the market opportunities and acquired several new lands in Mainland China, mainly for residential purpose, through listing-for-sale and co-development with competent enterprises in 2018. Most of new lands acquired are joint venture projects as the Group believes that the co-development with competent enterprises would enable the Group to invest in scalable projects, share higher returns and diversify the financial burden.

In January 2019, the Group further acquired a land parcel in Miyun District, Beijing for residential development. The site area and the floor area of the project are 33,000 sqm and 57,000 sqm, respectively. The Group will optimise the land reserve portfolio in the Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners in the future.

ii) Toll Road Segment

In 2018, the Group received cash distribution of HK$827 million from the expressway joint ventures, including the repayment of shareholders' loans. The Group's share of operating profits of toll road joint ventures (net of income tax and withholding tax) increased from HK$506 million in 2017 to HK$632 million in 2018, representing an increase of 25% comparing to the corresponding period of last year, mainly attributable to the significant growth in toll revenue. The two expressways in Hebei Province recorded a double-digit growth in both traffic volume and toll revenue, which was attributable to the economic growth arising from transformation and upgrade in real economy of Beijing-Tianjin-Hebei Region and the three provinces of Northeast China. Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province recorded a strong growth in both traffic volume and toll revenue, as they are close to the end of the nurturing stage, thus increased the profit in expressway business accordingly.

The traffic volume and toll revenue of the expressway projects for 2018 are as follows:

Projects	**Average Daily Traffic**	**Increase**	**Toll Revenue**	**Increase**
	Vehicles	*%*	*RMB'million*	*%*
Baojin Expressway	77,000	12	960	17
Tangjin Expressway	61,000	15	734	20
Changyi Expressway	73,000	1	707	2
Longcheng Expressway	21,300	19	413	33
Machao Expressway	26,600	19	265	17
Total	258,900	11	3,079	16

The total traffic volume and toll revenue of the Group's expressway projects reached 94 million vehicles and RMB3,079 million, respectively in 2018, representing an increase of 11% and 16%, respectively, comparing with that of 2017.

In 2018, the Group introduced a new investor, CVC, to the expressway business. The Group will take this as the foundation and continue to explore and invest in expressway projects located in Mainland China and Southeast Asia regions with reasonable returns so as to form a solid foundation for the Group's development. Longer term development must be linked to the "One Belt One Road" initiatives. We are actively seeking local partnerships in Southeast Asia, building toll road projects pipeline for further growth and potential spin-off and listing of toll road business at the appropriate time.

iii) Investment and Asset Management Segment

In 2018, the Group has consolidated the businesses of Investment and Asset Management Segment, including our property fund, cultural attraction and tourism, and entertainment and content development businesses. We have also newly commenced our business in providing content services.

In 2018, the projects of investment and asset management segment (including joint venture projects) achieved sales of RMB2,855 million, including the contracted sales of RMB2,659 million and outstanding subscribed sales of RMB196 million. Profit of the investment and asset management segment increased to HK$246 million.

The Group will continue to explore through property fund and property related businesses, to solicit new opportunities and drivers for profit growth under controllable risks.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2018, the equity attributable to owners of the Company was HK$17,398 million (2017: HK$15,635 million). Net assets per share attributable to owners of the Company was HK$23.22 (2017: HK$20.90).

As at 31 December 2018, the Group's total assets were HK$78,952 million (2017: HK$69,735 million) and bank balances and cash were HK$11,793 million (2017: HK$8,552 million), of which 75% was denominated in Renminbi and the remaining 25% was mainly denominated in US dollars or HK dollars.

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 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.

Bank and other borrowings mainly represented offshore guaranteed senior notes, syndicated loans, domestic bonds and project development loans of the Group. During the year, 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$5,161 million. The drawdown of new loans was offset by repayment of certain bank loans. As at 31 December 2018, the Group's total bank and other borrowings were HK$20,645 million (2017: HK$20,393 million).

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 (US$225 million was repurchased in early 2019 by the Group);

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

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

Apart from the above loans, the Group also issued the following two offshore senior guaranteed perpetual capital securities in 2017:

(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 significantly from 54% as of last year to 35% as at 31 December 2018. Meanwhile, the net capitalisation ratio dropped from 35% as of last year to 26%. 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 year under review was 15.62 times (2017: 17.15 times).

In the first half of 2019, the Group also issued the following two guaranteed senior notes. The net proceeds would be used for the repurchase or repayment of the US$450 million 5% guaranteed senior notes due in 2019, and existing debts as well as the business development of the Group:

(a) US$400 million 7.75% guaranteed senior notes due in 2021 issued in January; and

(b) US$400 million 7.875% guaranteed senior notes due in 2023 issued in February.

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 31 December 2018, the carrying amount of the liabilities undertaken by the Group amounted to approximately HK$2,716 million (2017: HK$2,709 million).

Charges on Assets

As at 31 December 2018, bank balances of HK$129 million (2017: HK$199 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 credit facilities granted to the Group. In addition to these charged bank deposits, properties with carrying value of HK$3,909 million (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 components of relevant contracts were optimised during the year.

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 31 December 2018, the Group had provided guarantees of HK$8,616 million (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$4,449 million (2017: HK$2,611 million) for banking facilities granted to the joint ventures of the Group as at 31 December 2018.

Employees

Excluding the staff of joint ventures and associates, the Group had 4,158 employees as at 31 December 2018 (2017: 3,649 employees). Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK$1,048 million (2017: HK$800 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 year, no share option was granted.

WORK PLAN FOR 2019

Through years of development, the Group's current business has a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In 2019, the Group will continue its pragmatic approach and adhere to the business strategy of striking a balance between profitability and sales volume. To establish the Group as a more widely recognised enterprise, it will continue to research and develop market-oriented products to boost the sales volume, maintain the growth trend of profit and promote the brand name of the Group. The Group will also continue to explore business related opportunities, strive to increase toll road assets, optimise the land reserve portfolio and seek for more collaboration opportunities with business partners for further development.

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 year ended 31 December 2018.

Subsequent to the reporting year and up to the date of the Annual Report of the Company, the Company purchased an aggregate principal amount of US$224,743,000 of US$450 million 5% guaranteed senior notes due 2019 (the "Notes") issued by RKI Overseas Finance 2016 (A) Limited under a tender offer. Following the purchase, the Notes in an aggregate principal amount of US$224,743,000 were cancelled on 23 January 2019 and the Notes in an aggregate principal amount of US$225,257,000 remain outstanding.

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 year ended 31 December 2018.

Dr. Chow Ming Kuen, Joseph ("Dr. Chow"), an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company, passed away on 13 October 2018. Following the passing away of Dr. Chow, the Remuneration Committee of the Company does not fulfill the requirement under Rule 3.25 of the Listing Rules that a remuneration committee shall be chaired by an independent non-executive director and comprise a majority of independent non-executive directors.

On 7 November 2018, Mr. Tse Chee On, Raymond and Mr. Wong Wai Ho, the Independent Non-executive Directors of the Company, were appointed as the Chairman and a member of the Remuneration Committee of the Company respectively. Following their appointments, the Remuneration Committee is chaired by an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors which fulfills the requirement under Rule 3.25 of the Listing Rules.

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee of the Company and audited by the Company's external auditor.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Jade and Lotus Rooms, 6th Floor, Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 21 May 2019 at 10:30 a.m. and the notice of annual general meeting will be published and despatched to the Shareholders in the manner as required by the Listing Rules.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

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

APPRECIATION

The Board would like to take this opportunity to express hearty gratitude to all Shareholders, business partners, and loyal and dedicated staff.

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

Hong Kong, 19 March 2019

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 Messrs. Lau Sai Yung, Tse Chee On, Raymond, Wong Wai Ho and Zhang Yongliang as Independent Non-executive Directors.