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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 2019

HIGHLIGHTS	Six months ended 30 June	
	2019	2018
Property sales (including joint venture projects)	RMB22,030 million	RMB17,225 million
Property delivery (including joint venture projects)	RMB8,418 million	RMB6,191 million
Toll revenue from expressway toll roads	RMB1,596 million	RMB1,470 million
Profit for the period	HK\$1,200 million	HK\$1,160 million
Earnings per share	HK\$1.16	HK\$1.08
Interim dividend per share	HK\$0.30	HK\$0.30
	30 June	31 December
	2019	2018
Total assets	HK\$84,060 million	HK\$78,952 million
Bank balances and cash	HK\$13,917 million	HK\$11,793 million
Equity attributable to owners of the Company	HK\$17,624 million	HK\$17,398 million
Net assets per share attributable to owners of the Company	HK\$23.52	HK\$23.22
Net gearing ratio	52%	35%

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 2019, together with the comparative figures for the corresponding period in 2018 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 together with audited comparative figures as at 31 December 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	6,855,630	5,721,664
Cost of sales		(4,128,259)	(3,029,012)
Gross profit		2,727,371	2,692,652
Interest income		315,762	446,932
Other income		57,270	13,754
Other gains and losses	5	54,104	(27,034)
Selling expenses		(270,358)	(273,695)
Administrative expenses		(520,422)	(455,551)
Share of results of associates		(8,539)	(5,774)
Share of results of joint ventures	6	409,912	438,154
Finance costs	7	(490,474)	(280,817)
Profit before taxation	8	2,274,626	2,548,621
Income tax expenses	9	(1,074,621)	(1,388,984)
Profit for the period		1,200,005	1,159,637
Profit attributable to:			
Owners of the Company		868,335	808,123
Owners of perpetual capital securities		174,915	174,915
Non-controlling interests of subsidiaries		156,755	176,599
		1,200,005	1,159,637
Earnings per share	11		
– Basic		HK\$1.16	HK\$1.08
– Diluted		N/A	HK\$1.08

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

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	1,200,005	1,159,637
Other comprehensive income (expense)		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	<u>17,156</u>	<u>(110,580)</u>
Total comprehensive income for the period	<u>1,217,161</u>	<u>1,049,057</u>
Total comprehensive income attributable to:		
Owners of the Company	885,491	699,223
Owners of perpetual capital securities	174,915	174,915
Non-controlling interests of subsidiaries	<u>156,755</u>	<u>174,919</u>
	<u>1,217,161</u>	<u>1,049,057</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019	31 December 2018
		(Unaudited)	(Audited)
	<i>NOTES</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		220,006	203,083
Right-of-use assets	2	132,575	–
Investment properties		3,599,657	2,516,218
Interest in associates		802,576	811,115
Interests in joint ventures		10,308,387	9,962,924
Amounts due from joint ventures		11,125,067	10,180,660
Loan receivables		883,277	196,190
Financial assets at fair value through profit or loss (“FVTPL”)		514,286	514,286
Deferred tax assets		96,566	130,176
Other non-current assets	12	35,914	70,200
		27,718,311	24,584,852
Current assets			
Inventory of properties		33,260,604	31,614,778
Prepayment for land leases		352,000	606,284
Amounts due from joint ventures		3,337,353	3,713,510
Loan receivables		605,147	2,161,126
Debtors, deposits and prepayments	12	3,176,784	3,581,178
Prepaid income tax		1,438,839	634,225
Financial assets at FVTPL		131,824	133,564
Pledged bank deposits		122,441	128,951
Bank balances and cash		13,917,151	11,793,235
		56,342,143	54,366,851
Total assets		84,060,454	78,951,703

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		74,934	74,934
Reserves		17,549,204	17,323,129
		17,624,138	17,398,063
Perpetual capital securities		4,632,594	4,632,638
Non-controlling interests of subsidiaries		2,926,060	2,736,741
		25,182,792	24,767,442
Non-current liabilities			
Bank and other borrowings		14,988,062	10,183,873
Deferred tax liabilities		970,013	923,315
Lease liabilities	2	111,757	–
		16,069,832	11,107,188
Current liabilities			
Creditors and accrued charges	13	8,444,140	9,824,931
Amounts due to joint ventures and an associate		1,618,259	1,247,350
Contract liabilities		15,635,827	16,288,131
Lease liabilities	2	24,068	–
Income tax payable		4,863,082	5,255,537
Bank and other borrowings		12,222,454	10,461,124
		42,807,830	43,077,073
Total equity and liabilities		84,060,454	78,951,703

Notes:

1. BASIS OF PREPARATION

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

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

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. The Group applied relevant accounting policies in accordance with the transitional provisions of HKFRS 16. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China (the "PRC") was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	65,098
Lease liabilities discounted at relevant incremental borrowing rates (<i>note</i>)	59,247
Less: Recognition exemption – short-term leases	(8,719)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>50,528</u>
Analysed as	
– Current	9,925
– Non-current	40,603
	<u>50,528</u>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>50,528</u>

Note:

The Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.04%.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The Group had insignificant balances of refundable rental deposits and advance lease payments as at 1 January 2019 and 30 June 2019.
- (c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	50,528	50,528
Current liabilities			
Lease liabilities	–	9,925	9,925
Non-current liabilities			
Lease liabilities	–	40,603	40,603

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement profit or loss, condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period.

3. REVENUE

A(I). Revenue from contracts with customers

By segment	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Property development and investment <i>HK\$'000</i>	Investment and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i> (restated)	Investment and asset management <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Types of goods or services						
Property sales	6,474,097	–	6,474,097	5,356,752	11,667	5,368,419
Property management and other service income	223,987	6,406	230,393	203,541	678	204,219
Total	6,698,084	6,406	6,704,490	5,560,293	12,345	5,572,638
Geographical market						
Mainland China	6,698,084	6,406	6,704,490	5,560,293	12,345	5,572,638
Timing of revenue recognition						
Goods recognised at a point in time	6,474,097	–	6,474,097	5,356,752	11,667	5,368,419
Services recognised over time	223,987	6,406	230,393	203,541	678	204,219
Total	6,698,084	6,406	6,704,490	5,560,293	12,345	5,572,638

A(II). 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 2019			Six months ended 30 June 2018		
	Property development and investment <i>HK\$'000</i>	Investment and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i> (restated)	Investment and asset management <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Revenue from contracts with customers (note 3A(I))	6,698,084	6,406	6,704,490	5,560,293	12,345	5,572,638
Fund investment income	–	82,950	82,950	–	104,690	104,690
Gross rental and other income from commercial properties	58,290	9,900	68,190	43,834	502	44,336
Other revenue	58,290	92,850	151,140	43,834	105,192	149,026
Total revenue of the Group (note 4)	6,756,374	99,256	6,855,630	5,604,127	117,537	5,721,664

B. Total Revenue of the Group

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Property sales and service income	6,704,490	5,572,638
Fund investment income	82,950	104,690
Gross rental and other income from commercial properties	68,190	44,336
Total revenue of the Group	6,855,630	5,721,664
Group's share of revenue of property joint ventures	1,729,108	1,156,554
Group's share of toll revenue of infrastructure joint ventures	792,934	763,633
Revenue of the Group and Group's share of revenue of the joint ventures	9,377,672	7,641,851

4. SEGMENT INFORMATION

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

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

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

	Six months ended 30 June 2019				Six months ended 30 June 2018			
	Property development and investment HK\$'000	Toll road HK\$'000	Investment and asset management HK\$'000	Total HK\$'000	Property development and investment HK\$'000	Toll road HK\$'000	Investment and asset management HK\$'000	Total HK\$'000
Segment revenue	6,756,374	–	99,256	6,855,630	5,604,127	–	117,537	5,721,664
Segment profit (loss)	965,637	343,582	(102,743)	1,206,476	915,155	269,646	8,596	1,193,397

	At 30 June 2019				At 31 December 2018			
	Property	Investment		Total	Property	Investment		Total
	development	and asset			development	and asset		
	and	Toll road	management	investment	Toll road	management		
investment	management		and	management				
	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>67,984,457</u>	<u>5,642,826</u>	<u>8,166,361</u>	<u>81,793,644</u>	<u>63,643,205</u>	<u>5,299,866</u>	<u>7,902,496</u>	<u>76,845,567</u>
Segment liabilities	<u>(53,937,413)</u>	<u>(274,753)</u>	<u>(3,341,252)</u>	<u>(57,553,418)</u>	<u>(48,875,061)</u>	<u>(269,898)</u>	<u>(3,313,815)</u>	<u>(52,458,774)</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, 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, net loss on disposal of subsidiaries, gain on disposal of interest in a joint venture, depreciation of property, plant and equipment, depreciation of right-of-use assets, interest expenses on lease liabilities, 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, right-of-use assets, investment properties, interests in associates, interests in joint ventures, other non-current assets, 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, lease liabilities, amounts due to joint ventures and an associate, contract liabilities, income tax payable, bank and other borrowings and deferred tax liabilities which are directly attributable to the relevant reportable segment.

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Total segment profit	1,206,476	1,193,397
Unallocated items:		
Interest income	25,080	2,287
Corporate income	7,522	93
Corporate expenses	(7,083)	(21,354)
Finance costs	(31,990)	(14,786)
Consolidated profit for the period	<u>1,200,005</u>	<u>1,159,637</u>

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Total segment assets	81,793,644	76,845,567
Unallocated assets:		
Property, plant and equipment	14	19
Deposits and prepayments	13,045	60,014
Financial assets at FVTPL	26,365	26,713
Bank balances and cash	2,227,386	2,019,390
	<u>84,060,454</u>	<u>78,951,703</u>
Consolidated total assets	84,060,454	78,951,703
Total segment liabilities	(57,553,418)	(52,458,774)
Unallocated liabilities:		
Accrued charges	(1,991)	(10,965)
Bank and other borrowings	(1,322,253)	(1,714,522)
	<u>(58,877,662)</u>	<u>(54,184,261)</u>
Consolidated total liabilities	(58,877,662)	(54,184,261)

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Net exchange losses	(7,437)	(93,394)
Change in fair value of financial assets at FVTPL	31,020	(7,852)
	<u>23,583</u>	<u>(101,246)</u>
Gain on disposal of interest in a joint venture	–	33,330
Net loss on disposal of subsidiaries	–	(339)
Gains on disposal of property, plant and equipment	952	198
Fair value gains on transfer of completed properties held for sale to investment properties	3,796	–
Change in fair value of investment properties	25,773	41,023
	<u>54,104</u>	<u>(27,034)</u>

6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	612,069	572,631
Less share of: Amortisation of toll road operation rights	(127,048)	(126,563)
Income tax expenses	(107,433)	(106,645)
	<u>377,588</u>	<u>339,423</u>
Share of profits of other joint ventures	32,324	98,731
	<u>409,912</u>	<u>438,154</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest on borrowings	777,914	618,277
Interest on lease liabilities (note 2)	3,522	–
Other interest and finance costs	234,381	213,460
	<u>1,015,817</u>	<u>831,737</u>
Less: Capitalised in properties under development for sale	(525,343)	(550,920)
	<u>490,474</u>	<u>280,817</u>

8. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of right-of-use assets (note 2)	16,051	–
Depreciation of property, plant and equipment	9,277	19,226
	<u>25,328</u>	<u>19,226</u>
Less: Capitalised in properties under development for sale	(328)	(435)
	<u>25,000</u>	<u>18,791</u>
and after crediting:		
Bank interest income	64,800	23,966
	<u>64,800</u>	<u>23,966</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current tax:		
PRC enterprise income tax ("EIT")	489,046	589,362
PRC land appreciation tax ("LAT")	483,542	689,680
PRC withholding tax	19,042	33,408
	<u>991,630</u>	<u>1,312,450</u>
Deferred tax:		
Current period	82,991	76,534
	<u>1,074,621</u>	<u>1,388,984</u>

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

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

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

10. DIVIDEND PAID

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
2018 final dividend paid of HK\$0.88 (six months ended 30 June 2018: 2017 final dividend paid of HK\$0.78) per share	<u>659,416</u>	<u>584,483</u>

An interim dividend in respect of 2019 of HK\$0.30 (six months ended 30 June 2018: HK\$0.30) per share amounting to a total of approximately HK\$225 million (six months ended 30 June 2018: HK\$225 million) was declared by the Board of Directors on 19 August 2019. This interim dividend has not been included as a liability in these condensed consolidated financial statements as it was declared after the end of the reporting period.

The amount of the interim dividend was calculated on the basis of 749,336,566 shares in issue as at 19 August 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:

	Six months ended 30 June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	<u>868,335</u>	<u>808,123</u>
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	749,337	748,749
Effect of dilutive potential ordinary shares: Share options (<i>note</i>)	<u>N/A</u>	<u>304</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>749,053</u>

Note:

No diluted earnings per share for the six months ended 30 June 2019 were presented as there were no dilutive potential ordinary shares in issue during the current interim period.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>
Aged analysis of trade debtors, presented based on invoice dates (<i>note (a)</i>):		
Within 60 days	22,343	65,899
61 to 90 days	7,791	6,678
More than 90 days	<u>38,032</u>	<u>31,530</u>
Trade debtors derived from goods and services	68,166	104,107
Prepayment for land development cost	586,286	586,286
Deposits paid for acquisition of inventory of properties (<i>note (b)</i>)	1,587,031	694,857
Prepayment of value added tax and other taxes	258,156	1,451,347
Prepayment for property, plant and equipment and investment properties	35,914	70,200
Other receivables, deposits and prepayments	<u>677,145</u>	<u>744,581</u>
Total debtors, deposits and prepayments	3,212,698	3,651,378
Less: Amounts classified as non-current assets	<u>(35,914)</u>	<u>(70,200)</u>
Amounts classified as current assets	<u>3,176,784</u>	<u>3,581,178</u>

Note:

- (a) The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 days from the agreements. Consideration will be fully received prior to the delivery of the properties to the property purchasers.
- (b) Deposits of HK\$738,115,000 will be transferred to the inventory of properties after the end of the reporting period.

13. CREDITORS AND ACCRUED CHARGES

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Aged analysis of creditors presented based on invoice dates:		
Trade payables		
Within 60 days	339,833	481,553
61 to 90 days	31,219	15,328
More than 90 days	954,585	854,397
	<u>1,325,637</u>	<u>1,351,278</u>
Bills payables		
Within 60 days	32,629	12,641
61 to 90 days	331	21,767
More than 90 days	22,333	5,201
	<u>55,293</u>	<u>39,609</u>
Accrued construction costs	<u>4,216,273</u>	<u>5,467,177</u>
Accrued taxes (other than EIT and LAT)	815,685	965,047
Consideration payable from acquisition of subsidiaries and joint ventures	399,751	342,608
Dividend payable to non-controlling interest of a subsidiary	200,000	200,000
Other payables	1,431,501	1,459,212
	<u>8,444,140</u>	<u>9,824,931</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2019 amounted to HK\$41,252,624,000 (31 December 2018: HK\$35,874,630,000). The Group's net current assets at 30 June 2019 amounted to HK\$13,534,313,000 (31 December 2018: HK\$11,289,778,000).

DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.30 (2018: HK\$0.30) per share for the six months ended 30 June 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 5 September 2019.

It is expected that the payment of the interim dividend will be made on or before Monday, 30 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 September 2019 to Thursday, 5 September 2019, both dates inclusive, during which period no transfer of shares will be registered for the purpose of determining the entitlement to the interim dividend.

In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 3 September 2019 for registration.

BUSINESS REVIEW

Results for the first half of 2019

For the first half of 2019, property sales and toll revenue of the Group (including joint venture projects) were RMB22,030 million and RMB1,596 million respectively, amounting to RMB23,626 million in total and representing an increase of 26% as compared with the corresponding period of last year. The profit for the period ended 30 June 2019 was HK\$1,200 million, with earnings per share of HK\$1.16, and net assets per share of HK\$23.52.

Business Overview

In the first half of 2019, the central government of Mainland China reaffirmed the policy of "house is for living, not for speculating" and implemented the long-term effective mechanism of "one policy for one city, assuming the primary responsibility of local government" under the overall guideline of maintaining stability. Austerity measures have also been continuously intensified, such as regulating land auction, tightening home purchase restrictions, restriction on prices and mortgage, have gradually become routinised in various regions. Although the overall transaction volume increased gradually in the first half of the year, transactions differed notably in various cities and have led to a fluctuated property market environment. By closely following the market trend and adhering to the operating principle of ensuring a balance between profitability and sales volume, the operation team of the Group concerted their efforts and drove property sales in the first half of 2019 (including joint venture projects) to a record high of RMB22,030 million, comprising the contracted sales of RMB19,578 million and outstanding subscribed sales of RMB2,452 million, representing an increase of 28% as compared with the first half of 2018, with the average selling price increased to approximately RMB19,000 per sqm.

In the first half of 2019, property delivery of the Group (including joint venture projects) amounted to RMB8,418 million, representing a significant increase of 36% as compared with the corresponding period of last year. The delivery mainly concentrated in Yangtze River Delta Region, representing about 80% of the total property delivery. The average selling price per sqm was approximately RMB16,700 and gross profit margin was close to 40%, with the profit of the property segment increased to HK\$966 million.

The three Hong Kong projects are in the development stage and going on well. The project in Yuen Long is in the progress of applying the pre-sale consent and it is expected to launch the pre-sale in the fourth quarter this year.

For land reserve replenishment, the Group acquired four parcels of land in Beijing, Guangzhou, Suzhou and Changzhou for residential purpose through listing-for-sale and co-development in the first half of 2019, with an aggregate floor area of 445,000 sqm, for optimising and replenishing the land reserve of the Group. As at 30 June 2019, the Group's land reserve in Mainland China and Hong Kong were 7,790,000 sqm and 120,000 sqm respectively, with 7,910,000 sqm in total, of which the total area of properties pre-sold but yet to be delivered was 2,390,000 sqm.

The average daily traffic volume and toll revenue of the Group's expressway projects portfolio reached 264,300 vehicles and RMB1,596 million respectively in the first half of 2019, representing an increase of approximately 4% and 9% as compared with the corresponding period of last year. During the period, the traffic volume and toll revenue in Tangjin Expressway and Machao Expressway recorded steady increase, together with the double-digit growth in Longcheng Expressway, the Group's share of profit of infrastructure joint ventures for the first half of the year increased by 11% to HK\$378 million as compared with the corresponding period of last year.

The Group expected that the expressway business will maintain a steady development in the second half of the year, while the acquisition of promising toll road projects in Mainland China and Southeast Asian countries will lay down the growth foundation in the medium and long term.

The Group continued to consolidate the investment and asset management businesses during 2019, including our property fund, cultural attraction and tourism, entertainment and content development businesses. The investment and asset management segment of the Group will continue to seek new opportunities and drivers for profit growth in property fund and property related business under controllable risks.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2019, the equity attributable to owners of the Company was HK\$17,624 million (31 December 2018: HK\$17,398 million). Net assets per share attributable to owners of the Company was HK\$23.52 (31 December 2018: HK\$23.22).

As at 30 June 2019, the Group's total assets were HK\$84,060 million (31 December 2018: HK\$78,952 million) and bank balances and cash were HK\$13,917 million (31 December 2018: HK\$11,793 million), of which 65% was denominated in Renminbi and the remaining 35% was mainly denominated in US dollar or HK dollar.

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

During the period under review, the Group drew down various offshore bank loans and project development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK\$11,411 million. The drawdown of new borrowings was partially offset by repayment of certain bank loans.

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

- (a) US\$450 million 5% guaranteed senior notes (US\$225 million was repurchased in early 2019 and the remaining US\$225 million was then subsequently redeemed after 30 June 2019);
- (b) RMB1,500 million 4.5% domestic bonds;
- (c) US\$500 million 4.7% guaranteed senior notes;
- (d) US\$400 million 7.75% guaranteed senior notes (issued in January 2019); and
- (e) US\$400 million 7.875% guaranteed senior notes (issued in February 2019).

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

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

As at 30 June 2019, the net gearing ratio and the net capitalisation ratio of the Group were 52% and 34% respectively. 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.

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 the outstanding debts incurred by the property development joint venture, in which the Group held 50% of equity interests. As at 30 June 2019, the carrying amount of the liabilities undertaken by the Group amounted to approximately HK\$2,715 million (31 December 2018: HK\$2,716 million).

Charges on Assets

As at 30 June 2019, bank balances of HK\$122 million (31 December 2018: HK\$129 million) were pledged as security in favour of banks for certain mortgage facilities granted to purchasers of the Group's properties and short-term credit facilities granted to the Group. In addition to these charged bank deposits, properties with carrying value of HK\$7,147 million (31 December 2018: HK\$3,909 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. In early August, the tensions in the Sino-US trade row escalated. On the date of this announcement, Renminbi depreciated by approximately 2% as compared to 30 June 2019. If the situation persists, the performance of the Group will be affected. The Group will expand foreign currency forward contracts to hedge the foreign exchange risks, when appropriate.

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

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

Contingent Liabilities

As at 30 June 2019, the Group had provided guarantees of HK\$8,385 million (31 December 2018: HK\$8,616 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\$4,791 million (31 December 2018: HK\$4,449 million) for banking facilities granted to the joint ventures of the Group as at 30 June 2019.

Employees

Excluding the staff of joint ventures and associates, the Group had 4,284 employees as at 30 June 2019 (30 June 2018: 3,973 employees). Expenditure on staff (excluding Directors' emoluments and share-based payment) for the period under review amounted to HK\$564 million (30 June 2018: HK\$500 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.

PROSPECT

Looking forward to the second half of the year, it is expected that the central and local governments will continue to strictly abide specific austerity measures such as tightening home purchase restrictions, restriction on prices and "city-specific policies". The land supply is expected to be stabled and increased mildly in the second half of the year. However, with the continuously tightened capital market and the consideration for the market downward risks, the Group's land acquisition strategy will be more prudent. Since the beginning of the year, the repeated Sino-US trade conflicts have affected and fluctuated the economy and exchange rates of two countries, increasing the downward pressure on the domestic and Hong Kong economy in the second half of the year, and having a negative impact on various industries, including the property market. The Sino-US trade war has certain impacts on the Mainland China's economy in the short term, but real estate industry, as a pillar industry in Mainland China, still supports economic growth in the long term. The Group stays cautiously optimistic in regards to the business development.

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 the second half of the year, the management and operation team of the Group will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume, as well as striving to boost the sales volume and maintaining the growth trend of profits. To establish the Group as a more widely recognised property enterprise, it will continue to research and develop market-oriented products and promote the brand name of the Group. The Group will also continue to explore business 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

During the period, 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.

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 2019.

Subsequent to the reporting period and up to the date of this announcement, the Company redeemed the remaining aggregate principal amount of US\$225,257,000 of the Notes.

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019, 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 2019.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 19 August 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.