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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 2023**

#### **HIGHLIGHTS**

	Six months ended 30 June	
	2023	2022
Property sales (including joint venture and associate projects)	RMB15,687 million	RMB14,787 million
Property delivery (including joint venture and associate projects)	RMB18,644 million	RMB8,699 million
Toll revenue from expressway projects	RMB1,979 million	RMB1,820 million
(Loss) profit for the period	(HK\$881 million)	HK\$469 million
(Loss) profit attributable to owners of the Company	(HK\$1,220 million)	HK\$85 million
	30 June 2023	31 December 2022
Total assets	HK\$82,089 million	HK\$90,002 million
Bank balances and cash	HK\$7,137 million	HK\$8,262 million
Equity attributable to owners of the Company	HK\$18,856 million	HK\$20,246 million
Net assets per share attributable to owners of the Company	HK\$25.16	HK\$27.02
Net gearing ratio	61%	73%

## 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 2023, together with the comparative figures for the corresponding period in 2022 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 together with audited comparative figures as at 31 December 2022, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2023*

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Revenue	3	6,276,976	4,972,900
Cost of sales		(5,582,880)	(3,165,290)
Gross profit		694,096	1,807,610
Interest income		167,021	227,189
Other income		101,548	93,244
Other gains and losses	5	(1,066,367)	(585,708)
Selling expenses		(293,828)	(245,015)
Administrative expenses		(401,171)	(378,480)
Share of results of associates		7,740	30,063
Share of results of joint ventures	6	724,360	405,947
Finance costs	7	(582,235)	(549,537)
<b>(Loss) profit before taxation</b>	8	<b>(648,836)</b>	805,313
Income tax expenses	9	(232,532)	(336,381)
<b>(Loss) profit for the period</b>		<b>(881,368)</b>	468,932
<b>(Loss) profit attributable to:</b>			
Owners of the Company		(1,220,253)	85,431
Owners of perpetual capital securities		265,929	266,321
Other non-controlling interests of subsidiaries		72,956	117,180
		<b>(881,368)</b>	468,932
<b>(Loss) earnings per share</b>	11		
– Basic		<b>(HK\$1.63)</b>	HK\$0.11
– Diluted		<b>N/A</b>	N/A

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

*For the six months ended 30 June 2023*

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>(Loss) profit for the period</b>	<b>(881,368)</b>	468,932
<b>Other comprehensive expense</b>		
<b><i>Items that may be subsequently reclassified to profit or loss:</i></b>		
Exchange difference arising on translation of foreign operations	<b>225,108</b>	52,224
Share of other comprehensive income (expense) of joint ventures	<b>4,329</b>	(6,346)
<b><i>Item that will not be subsequently reclassified to profit or loss:</i></b>		
Exchange differences arising on translation to presentation currency	<b>(421,683)</b>	(670,023)
<b>Other comprehensive expense for the period</b>	<b>(192,246)</b>	(624,145)
<b>Total comprehensive expense for the period</b>	<b>(1,073,614)</b>	(155,213)
<b>Total comprehensive expense attributable to:</b>		
Owners of the Company	<b>(1,390,142)</b>	(429,379)
Owners of perpetual capital securities	<b>265,929</b>	266,321
Other non-controlling interests of subsidiaries	<b>50,599</b>	7,845
	<b>(1,073,614)</b>	(155,213)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	(Unaudited)	(Audited)
<i>NOTE</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	50,524	53,049
Right-of-use assets	36,164	41,273
Investment properties	5,348,474	4,125,822
Interests in associates	1,034,846	1,041,280
Interests in joint ventures	18,618,882	18,612,840
Deferred tax assets	240,437	227,359
Amounts due from joint ventures and associates	4,437,866	6,084,012
Amounts due from other non-controlling interests of subsidiaries	302,069	974,183
Loan receivables	2,344,473	2,651,746
Financial assets at fair value through profit or loss (“FVTPL”)	588,204	596,271
	<b>33,001,939</b>	34,407,835
<b>Current assets</b>		
Inventory of properties	32,873,954	38,631,097
Prepayment for land leases	1,029,364	–
Amounts due from joint ventures and associates	2,668,691	3,564,733
Amounts due from other non-controlling interests of subsidiaries	1,089,292	909,132
Loan receivables	74,122	68,158
Debtors, deposits and prepayments	2,585,176	2,657,112
Prepaid income tax	1,546,921	1,382,848
Pledged bank deposits	82,457	119,803
Bank balances and cash	7,137,201	8,261,655
	<b>49,087,178</b>	55,594,538
<b>Total assets</b>	<b>82,089,117</b>	90,002,373

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Audited)
<i>NOTE</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>74,934</b>	74,934
Reserves	<b>18,781,338</b>	20,171,480
	<b>18,856,272</b>	20,246,414
<b>Owners of perpetual capital securities</b>	<b>6,962,375</b>	6,961,258
<b>Other non-controlling interests of subsidiaries</b>	<b>5,141,120</b>	5,552,811
<b>Total equity</b>	<b>30,959,767</b>	32,760,483
<b>Non-current liabilities</b>		
Bank and other borrowings	<b>20,756,578</b>	21,890,008
Deferred tax liabilities	<b>1,206,632</b>	1,238,541
Financial liabilities at FVTPL	<b>581,947</b>	198,815
Lease liabilities	<b>21,258</b>	28,647
	<b>22,566,415</b>	23,356,011
<b>Current liabilities</b>		
Creditors and accrued charges	<b>6,845,972</b>	8,174,131
Amounts due to joint ventures and associates	<b>5,453,201</b>	4,919,384
Amounts due to other non-controlling interests of subsidiaries	<b>1,524,838</b>	1,505,136
Contract liabilities	<b>4,464,042</b>	3,980,427
Lease liabilities	<b>18,285</b>	15,031
Income tax payable	<b>4,585,580</b>	4,944,361
Bank and other borrowings	<b>5,204,813</b>	10,257,686
Financial liabilities at FVTPL	<b>466,204</b>	89,723
	<b>28,562,935</b>	33,885,879
<b>Total equity and liabilities</b>	<b>82,089,117</b>	90,002,373

Notes:

## 1. BASIS OF PREPARATION

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

## 2. APPLICATION OF 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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards, agenda decision of the International Financial Reporting Standards Interpretations Committee of the International Accounting Standards Board, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

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

**Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”**

The Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending 31 December 2023.

### 3. REVENUE

#### (a) Revenue from contracts with customers

By segment	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Property development and investment	Investment and asset management	Total	Property development and investment	Investment and asset management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Types of goods or services</b>						
Property sales	5,696,463	27,035	5,723,498	4,514,214	47,435	4,561,649
Property management and service income	451,157	1,902	453,059	332,115	5,997	338,112
<b>Total</b>	<b>6,147,620</b>	<b>28,937</b>	<b>6,176,557</b>	<b>4,846,329</b>	<b>53,432</b>	<b>4,899,761</b>
<b>Geographical market</b>						
Mainland China	6,101,961	28,937	6,130,898	4,753,497	53,432	4,806,929
Hong Kong	45,659	-	45,659	92,832	-	92,832
<b>Total</b>	<b>6,147,620</b>	<b>28,937</b>	<b>6,176,557</b>	<b>4,846,329</b>	<b>53,432</b>	<b>4,899,761</b>
<b>Timing of revenue recognition</b>						
Goods recognised at a point in time	5,696,463	27,035	5,723,498	4,514,214	47,435	4,561,649
Services recognised over time	451,157	1,902	453,059	332,115	5,997	338,112
<b>Total</b>	<b>6,147,620</b>	<b>28,937</b>	<b>6,176,557</b>	<b>4,846,329</b>	<b>53,432</b>	<b>4,899,761</b>

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

By segment	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Property development and investment	Investment and asset management	Total	Property development and investment	Investment and asset management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers (note 3(a))	6,147,620	28,937	6,176,557	4,846,329	53,432	4,899,761
Rental income from commercial properties and other revenue	95,801	4,618	100,419	69,238	3,901	73,139
<b>Total revenue of the Group (note 4)</b>	<b>6,243,421</b>	<b>33,555</b>	<b>6,276,976</b>	<b>4,915,567</b>	<b>57,333</b>	<b>4,972,900</b>



(c) **Revenue of the Group**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Property sales and service income	<b>6,176,557</b>	4,899,761
Rental income from commercial properties and other revenue	<b>100,419</b>	73,139
<b>Total revenue of the Group</b>	<b><u>6,276,976</u></b>	<b><u>4,972,900</u></b>
<b>Group's share of revenue of property joint ventures and associates</b>	<b><u>7,631,095</u></b>	<b><u>2,680,611</u></b>
<b>Group's share of toll revenue of infrastructure joint ventures</b>	<b><u>961,179</u></b>	<b><u>936,331</u></b>
<b>Revenue of the Group and Group's share of revenue of the joint ventures and associates</b>	<b><u>14,869,250</u></b>	<b><u>8,589,842</u></b>

**4. SEGMENT INFORMATION**

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

Property development and investment	–	development of properties for sale and for rental income and/or potential capital appreciation
Toll road	–	development, operation and management of toll roads
Investment and asset management	–	property development and investment, integrated with property fund, cultural, tourist and commercial businesses

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

	Six months ended 30 June 2023				Six months ended 30 June 2022			
	Property		Investment	Total	Property		Investment	Total
	development	Toll road	and asset		development	Toll road	and asset	
	and investment	management	management	and investment	management	management		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue	<u>6,243,421</u>	<u>-</u>	<u>33,555</u>	<u>6,276,976</u>	<u>4,915,567</u>	<u>-</u>	<u>57,333</u>	<u>4,972,900</u>
Segment (loss) profit	<u>(430,433)</u>	<u>253,390</u>	<u>(639,950)</u>	<u>(816,993)</u>	<u>586,551</u>	<u>308,604</u>	<u>(356,706)</u>	<u>538,449</u>

  

	At 30 June 2023				At 31 December 2022			
	Property		Investment	Total	Property		Investment	Total
	development	Toll road	and asset		development	Toll road	and asset	
	and investment	management	management	and investment	management	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>63,854,804</u>	<u>8,114,799</u>	<u>9,579,678</u>	<u>81,549,281</u>	<u>71,467,414</u>	<u>7,781,771</u>	<u>9,995,603</u>	<u>89,244,788</u>
Segment liabilities	<u>(47,810,831)</u>	<u>(1,326,070)</u>	<u>(1,050,569)</u>	<u>(50,187,470)</u>	<u>(53,595,407)</u>	<u>(1,379,316)</u>	<u>(1,147,226)</u>	<u>(56,121,949)</u>

**(a) Measurement**

Segment (loss) profit represents profit or loss generated from each segment, which includes share of results of associates, share of results of joint ventures, other gains and losses, depreciation of property, plant and equipment, depreciation of right-of-use assets, relevant interest income, finance costs and income tax expenses attributable to the relevant segment but without allocation of corporate income and expenses. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

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

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

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
<b>Total segment (loss) profit</b>	<b>(816,993)</b>	538,449
Unallocated items:		
Interest income	3,323	764
Corporate expenses	(32,244)	(33,046)
Finance costs	(35,454)	(37,235)
	<hr/>	<hr/>
<b>Consolidated (loss) profit for the period</b>	<b>(881,368)</b>	468,932
	<hr/> <hr/>	<hr/> <hr/>
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
<b>Total segment assets</b>	<b>81,549,281</b>	89,244,788
Unallocated assets:		
Right-of-use assets	11,721	15,062
Deposits and prepayments	61,091	81,699
Bank balances and cash	467,024	660,824
	<hr/>	<hr/>
<b>Consolidated total assets</b>	<b>82,089,117</b>	90,002,373
	<hr/> <hr/>	<hr/> <hr/>
<b>Total segment liabilities</b>	<b>(50,187,470)</b>	(56,121,949)
Unallocated liabilities:		
Accrued charges	(8,918)	(13,549)
Bank and other borrowings	(920,116)	(1,090,970)
Lease liabilities	(12,846)	(15,422)
	<hr/>	<hr/>
<b>Consolidated total liabilities</b>	<b>(51,129,350)</b>	(57,241,890)
	<hr/> <hr/>	<hr/> <hr/>

## 5. OTHER GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net exchange losses	(504,136)	(490,034)
Change in fair value of financial liabilities at FVTPL		
– relating to the foreign currency forward contracts	–	20
	<u>(504,136)</u>	<u>(490,014)</u>
Change in fair value of financial asset at FVTPL		
– relating to the investment in a listed entity	–	(5,402)
Change in fair value of financial liabilities at FVTPL		
– relating to participation rights	(8,024)	–
– relating to sale loan with redemption right	5,855	–
Loss on disposal of interest in a joint venture	–	(20,582)
Net gains on disposals/written off of property, plant and equipment	380	477
Impairment loss on loan receivables	(250,855)	(34,814)
Impairment loss on amounts due from joint ventures	(250,855)	–
Fair value losses on transfer of completed properties		
held for sale to investment properties	(136,711)	(687)
Change in fair value of investment properties	77,979	(34,686)
	<u>(1,066,367)</u>	<u>(585,708)</u>

## 6. SHARE OF RESULTS OF JOINT VENTURES

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of profits of infrastructure joint ventures before amortisation and taxation	623,368	609,807
Less share of:		
Amortisation of toll road operation rights	(134,265)	(137,034)
Income tax expenses	(121,572)	(122,615)
	<u>367,531</u>	<u>350,158</u>
Share of profits of property and other joint ventures	356,829	55,789
	<u>724,360</u>	<u>405,947</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest on borrowings	941,600	1,065,545
Interest on lease liabilities	1,066	1,395
Other interest and finance costs	65,900	64,973
	<u>1,008,566</u>	<u>1,131,913</u>
Less: Capitalised in properties under development for sale	(426,331)	(582,376)
	<u>582,235</u>	<u>549,537</u>

## 8. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of right-of-use assets	10,452	10,038
Depreciation of property, plant and equipment	10,602	8,138
	<u>21,054</u>	<u>18,176</u>
Less: Capitalised in properties under development for sale	(143)	(137)
	<u>20,911</u>	<u>18,039</u>
Cost of inventories recognised as an expense (including write-down of inventories amounting to HK\$136,830,000 (six months ended 30 June 2022: Nil))	5,161,455	2,881,818
and after crediting:		
Bank interest income	39,263	45,741
	<u>39,263</u>	<u>45,741</u>

## 9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	–	1,490
PRC enterprise income tax (“EIT”)	<b>117,190</b>	311,697
PRC land appreciation tax (“LAT”)	<b>92,942</b>	2,484
Withholding tax	<b>54,065</b>	42,706
	<b>264,197</b>	358,377
Deferred tax	<b>(31,665)</b>	(21,996)
	<b>232,532</b>	336,381

## 10. DIVIDEND PAID

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
No 2022 final dividend paid (six months ended 30 June 2022: 2021 final dividend paid of HK\$0.20 per share)	–	149,867

The Board has resolved not to declare the payment of any interim dividends for the six months ended 30 June 2023 and 2022.

## 11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) earnings for the purposes of basic (loss) earnings per share attributable to owners of the Company	<u>(1,220,253)</u>	<u>85,431</u>
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>749,337</u>	<u>749,337</u>

No diluted (loss) earnings per share for the six months ended 30 June 2023 and 2022 were presented as there were no dilutive potential ordinary shares in issue for both interim periods.

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
	Aged analysis of trade debtors, presented based on invoice dates:	
Within 60 days	62,738	121,986
61 to 90 days	3,430	675
More than 90 days	<u>105,586</u>	<u>32,136</u>
Trade debtors from contracts with customers derived from goods and services	171,754	154,797
Prepayment for land development cost	563,698	571,429
Deposits paid for acquisition of inventory of properties	577,003	584,917
Prepayment of value added tax and other taxes	490,455	540,844
Consideration receivable	25,366	25,714
Other receivables, deposits and prepayments	<u>756,900</u>	<u>779,411</u>
	<u>2,585,176</u>	<u>2,657,112</u>

### 13. CREDITORS AND ACCRUED CHARGES

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	342,912	747,042
61 to 90 days	69,853	140,176
More than 90 days	1,246,188	1,043,669
	<u>1,658,953</u>	<u>1,930,887</u>
Bills payables		
Within 60 days	53,575	19,525
More than 90 days	2,507	16,614
	<u>56,082</u>	<u>36,139</u>
Accrued construction costs	3,088,079	3,802,230
	<u>4,803,114</u>	<u>5,769,256</u>
Accrued taxes (other than EIT and LAT)	170,506	208,853
Consideration payable from acquisition of joint ventures	224,528	238,133
Dividends payable to other non-controlling interests of subsidiaries	270,902	274,617
Construction related deposits	271,022	411,086
Other payables	1,105,900	1,272,186
	<u>6,845,972</u>	<u>8,174,131</u>

### 14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2023 amounted to HK\$53,526,182,000 (31 December 2022: HK\$56,116,494,000). The Group's net current assets at 30 June 2023 amounted to HK\$20,524,243,000 (31 December 2022: HK\$21,708,659,000).



## **DIVIDEND**

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2023.

## **BUSINESS REVIEW**

### **Results for the first half of 2023**

Property sales and toll revenue of the expressway projects of the Group (including joint venture and associate projects) for the first half of 2023 were RMB15,687 million equivalent and RMB1,979 million equivalent respectively, totaling approximately RMB17,666 million, representing an increase of 6% compared to the corresponding period of last year. For the first half of 2023, the Group recorded a loss of HK\$881 million, with loss attributable to shareholders of HK\$1,220 million, loss per share of HK\$1.63 and net assets per share of HK\$25.16.

### **Business Overview**

In the first half of 2023, the overall performance of the real estate market of Mainland China presented an upward trend followed by a decline. In the first quarter, driven by factors such as the release of the cumulative demand depressed by the COVID-19 pandemic (the “Pandemic”) and the emerging effects of previous policies, the market became more active, particularly from February to March, the sales in key cities ushered in a “temporary boom”. In the second quarter, the sentiment of property buyers declined rapidly. The failure of continuous recovery in the market was due to the unstable foundation of economic recovery, sluggish demand and the weaker-than-expected real estate policies in Mainland China. As a pillar industry in Mainland China, stability of the real estate sector plays a significant role in the stable social and economic development. To respond, in the first half of this year, the central government and the authorities were on the move to frequently send out positive signals by implementing city-specific policies and further relaxing the restrictions on property purchase, property sale and credit. The policy environment in the industry entered an easing cycle, however, the confidence of property buyers in the economy and the property market is unlikely to be fully restored in the near future.

The Group’s operation team kept abreast of the market trend and seized the sales window in the first quarter, achieving total property sales (including joint venture and associate projects) of RMB15,687 million in the first half of 2023. The property sales comprised contracted sales of RMB14,484 million and outstanding subscribed sales of RMB1,203 million. The Yangtze River Delta Region and Bohai Rim Region are the major sales regions with an average selling price of RMB20,800 per sqm.

In the first half of 2023, due to the impact of the new regulations on the pre-announcement of land supply, land supply volume decreased significantly. Meanwhile, dragged by a downturn in the real estate market and the tight liquidity of enterprises, the real estate enterprises remained cautious in land acquisition, and the land transaction volume shrank significantly. State-owned enterprises remained the major participants in land acquisition. In the first half of 2023, the Group's property segment acquired two residential land parcels in Mainland China through listing-for-sale with a total gross floor area of approximately 89,000 sqm. As of 30 June 2023, the Group had a total land reserve of approximately 4,300,000 sqm, of which 1,260,000 sqm were pre-sold but yet to be delivered.

In Hong Kong, Southland in Wong Chuk Hang and Crescent Green in Yuen Long continued to sell their remaining units, with total sales of HK\$470 million for the first half of 2023. Construction work of the superstructure of So Kwun Wat project in Tuen Mun was underway, with its pre-sale consent being obtained in July. The preparations for sale launch of the project are in progress.

In the first half of 2023, the Group's total property delivery in Mainland China and Hong Kong (including joint venture and associate projects) amounted to approximately RMB18,644 million, with a total delivered area of approximately 560,000 sqm. The property delivery during the period increased significantly, mainly because the pre-sold properties of the Southland project were delivered to owners in bulk during the period, with the delivery reaching HK\$10,638 million. Due to the continuous downturn in the real estate market, the price of delivered properties has decreased, resulting in a decrease in gross profit margin during the period.

In the first half of 2023, overall average daily traffic volume and toll revenue of the Group's expressway projects in Mainland China and Indonesia were 365,000 vehicles and RMB1,979 million, respectively, representing an increase of 33% and 9% respectively compared to the corresponding period of last year.

The toll revenue of the Group's expressway projects in Mainland China decreased by 7% to RMB1,286 million compared to the corresponding period of last year, while the average daily traffic volume increased by 27% to 273,300 vehicles compared to the corresponding period of last year, mainly because the traffic volume of passenger vehicles increased significantly as a result of the cancellation of the Pandemic control measures in Mainland China. However, affected by the economic downturn in Mainland China and the international market, the traffic volume of cargo vehicles recorded a decrease compared to the corresponding period of last year. In addition, the toll concession right agreement of Tangjin Expressway project expired on 19 April, which also affected the total toll revenue from Mainland China.

In the first half of 2023, Indonesia saw a steady economic growth. In particular, the gradual decline in the price of motor vehicle diesel has led to an increase in the traffic volume for holiday trips and tourism. The toll revenue of the Group's expressway projects in Indonesia increased significantly by 56% compared to the corresponding period of last year to RMB693 million, and the average daily traffic volume increased by 53% compared to the corresponding period of last year to 91,700 vehicles, mainly benefiting from the completion of the acquisition of 39.77% equity interest in the Semarang-Batang Expressway (the "SB Expressway") in Central Java Province, Indonesia at the end of 2022, which further expanded its overseas toll road portfolio (excluding the newly acquired SB Expressway, the toll revenue increased by 5% compared to the corresponding period of last year to RMB467 million, and the average daily traffic volume increased by 4% compared to the corresponding period of last year to 62,300 vehicles).

In the first half of 2023, the Group's share of profits of infrastructure joint ventures in the first half of the year reached HK\$368 million, representing a slight increase as compared with the corresponding period of last year. This was mainly attributable to the significant increase in toll revenue recorded from expressways in Indonesia and implementation of cost-saving measures on expressways in Mainland China to offset the impact of toll revenue reduction from certain expressways in Mainland China. The profit of the Group's toll road segment (net off head office expenses and taxation) reached HK\$253 million, which represented a decrease as compared with the corresponding period of last year, mainly due to the increase in interest costs for the first half of the year as the Group had an additional loan of US\$155 million for financing part of the consideration for the acquisition of SB Expressway. In the same period, the Group's cash distributions received from expressway joint ventures were HK\$334 million.

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

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 June 2023, the equity attributable to owners of the Company was HK\$18,856 million (31 December 2022: HK\$20,246 million). Net assets per share attributable to owners of the Company was HK\$25.16 (31 December 2022: HK\$27.02).

As at 30 June 2023, the Group's total assets were HK\$82,089 million (31 December 2022: HK\$90,002 million) and bank balances and cash were HK\$7,137 million (31 December 2022: HK\$8,262 million), of which 89% was denominated in Renminbi and the remaining 11% was mainly denominated in US dollars or HK dollars.

The Group continues to adopt prudent financing and treasury policies, with all financing and treasury activities centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. The Group will continue to maintain healthy treasury strategy and consider various financing channels, so as to manage capital structure and ensure sufficient cash resources for the Group.

Bank and other borrowings mainly represented offshore guaranteed senior notes, syndicated loans and project development loans of the Group.

Certain of the Group's borrowings bore fixed interest rates per annum, including guaranteed senior notes with an outstanding principal amount of US\$1,874 million with interest rates ranging from 5.125% to 6.7% per annum.

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

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

In the first half of 2023, the overall performance of the real estate market of Mainland China presented an upward trend followed by a decline. Although the financing policies have been relaxed since the fourth quarter of last year, and most private real estate enterprises, especially vulnerable real estate enterprises, still encountered financing difficulties. The overall financing in the industry was still weak, and the financing scale remained at a low level. In the second half of 2023, many real estate enterprises will still face relatively high level of debt pressure. If the real estate market is in a prolonged slump, debt defaults may continue. It is expected that with the strong support from national policies, the financing environment for real estate enterprises will gradually improve.

In the first half of 2023, the Group actively strengthened its cash flow and debt management. The Group repaid a total of HK\$7,259 million equivalents of loans during the period, including an offshore bond with an outstanding principal amount of US\$343 million and an offshore syndicated loan at their maturity, which has greatly reduced the Group's short-term debt repayment pressure.

As at 30 June 2023, the net gearing ratio and the net capitalisation ratio of the Group were 61% and 38% respectively. Net gearing ratio represents the difference between the Group's total interest-bearing borrowings (excluding amounts due to non-controlling interests of subsidiaries) and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

### **Charges on Assets**

As at 30 June 2023, bank balances of HK\$82 million (31 December 2022: HK\$119 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and banking credit facilities granted to the Group. In addition to these pledged bank deposits, properties with carrying value of HK\$9,144 million (31 December 2022: HK\$11,928 million) were pledged as security for certain loan facilities.

As at 30 June 2023, the Group's borrowings with outstanding principal amount of HK\$2,373 million (31 December 2022: HK\$2,373 million) were secured by the pledges of the equity shares of certain subsidiaries and joint ventures of the Company.

### **Exposure on Foreign Exchange Fluctuations and Interest Rates**

The Group's borrowings are mainly denominated in Renminbi and US dollar, while the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar. In the first half of 2023, Renminbi continued to depreciate, and the Group recorded net exchange losses of approximately HK\$504 million. The Group will pay close attention to the impact of changes in international environment on exchange rate fluctuations, and will enter into foreign currency forward contracts to balance the foreign exchange risks, when appropriate.

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

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

### **Financial Guarantee Contracts**

As at 30 June 2023, the Group had provided guarantees of HK\$5,433 million (31 December 2022: HK\$6,801 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.

As at 30 June 2023, the Group had also provided guarantees of HK\$2,477 million (31 December 2022: HK\$4,088 million) for banking facilities granted to the joint ventures of the Group.

### **Employees**

Excluding the staff of joint ventures and associates, the Group had 4,210 employees as at 30 June 2023. Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK\$473 million. Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option scheme. During the period under review, no share option was granted.

### **WORK PLAN**

Looking forward to the second half of the year, the real estate market in Mainland China is expected to remain sluggish, and obvious differentiation among cities will continue. In light of this, more powerful supportive policies will be needed to curb the downward trend in the market in the second half of the year. The central and local governments are expected to adjust and optimise real estate policies when appropriate, and gradually loosen restrictive home purchase policies to support rigid and improved housing demands, thereby promoting the stable and healthy development of the real estate market. At the same time, it is anticipated that in the second half of the year, local governments will increase land grant, land supply may therefore rebound. However, as market confidence has yet to be restored, coupled with tight liquidity of real estate enterprises and other factors, the land market is expected to continue the trend of "partially hot but overall cool" in the first half of the year. The Group will adjust its strategies for land auction based on its review of the market situation and cash flows position.

As mentioned above, the economic development in Mainland China is facing challenges currently, with insufficient domestic demand and operational difficulties faced by enterprises. Coupled with the complex and severe international economic and political environment, the impact on the economy of Mainland China will sustain in the short term. The real estate industry, as a pillar industry in Mainland China, still plays an important role in supporting economic growth. The Group stays cautious in regard to the outlook of property business development in Mainland China.

Throughout the years, the Group's property business has been operated under a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In the second half of the year, the property management and operation team of the Group will continue its pragmatic approach and strive to ensure property delivery and enhance its cash flow. To establish the Group as a more widely recognised and reliable developer, it will continue to research and develop market-oriented products and promote the brand name of the Group.

In terms of toll road business, the Group will focus on promoting the increase in toll rates of the expressway projects in Indonesia, and actively follow the economic development policies of the Asia-Pacific region. Meanwhile, the Group will continue to identify and adjust toll road projects to optimise the Group's toll road business.

## **REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP**

During the period, RKPF Overseas 2019 (A) Limited redeemed all then outstanding principal amount of US\$343 million of US\$400 million 7.875% guaranteed senior notes due 2023 (the "2023 Notes") upon its final maturity date on 1 February 2023. In addition, RKPF Overseas 2019 (A) Limited redeemed an aggregate principal amount of US\$5 million of US\$415.6 million 6% notes due 2025 during the period. Following the redemption, the relevant notes were cancelled and 2023 Notes were delisted from the Singapore Exchange Securities Trading Limited.

Subsequent to the reporting period, the Group further redeemed US\$85.1 million of notes.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2023.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023, 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 all applicable 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 2023.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

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

## **ACKNOWLEDGEMENT**

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

By Order of the Board  
**Road King Infrastructure Limited**  
**Zen Wei Peu, Derek**  
*Chairman*

Hong Kong, 23 August 2023

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