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ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

MAJOR TRANSACTION – ACQUISITIONS OF EQUITY INTERESTS IN TWO PROJECT COMPANIES AND DISCLOSEABLE TRANSACTION – DISPOSAL OF EQUITY INTERESTS IN ONE PROJECT COMPANY

On 24 November 2022, RK Purchaser and RK Vendor (both are wholly-owned subsidiaries of the Company) entered into the Exit Agreements by which RK Group and Agile Group agreed to unwind their joint ventures in three property development projects in Changzhou, Jiangsu Province, the PRC, in which only a small number of residential and/or commercial units and/or car-parking spaces remain unsold, as follows:

- (a) under Exit Agreement A and Exit Agreement B, RK Purchaser agreed, subject to fulfilment of the condition precedent described below, respectively to purchase 50% equity interest in Project Company A and 49% equity interest in Project Company B for a total consideration of around RMB423.7 million, upon completion of which those two Project Companies will become wholly-owned subsidiaries of the Company; and
- (b) under Exit Agreement C, RK Vendor agreed to sell its entire 49% equity interest in Project Company C for a total consideration of around RMB428.4 million, upon completion of which it will cease to have any equity interest in Project Company C.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisitions, when aggregated with the Jinan Acquisitions, is more than 25% but less than 100%, the Acquisitions constitute a major transaction for the Company, which is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal, is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company, which is subject to the announcement requirements but exempt from the shareholders' approval requirements under the Listing Rules.

THE ACQUISITIONS AND THE DISPOSAL

On 24 November 2022, RK Purchaser and RK Vendor (both are wholly-owned subsidiaries of the Company) entered into the Exit Agreements by which RK Group and Agile Group agreed to unwind their joint ventures in three property development projects in Changzhou, Jiangsu Province, the PRC, in which only a small number of residential and/or commercial units and/or car-parking spaces remain unsold, as follows:

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- (b) under Exit Agreement C, RK Vendor agreed to sell its entire 49% equity interest in Project Company C for a total consideration of around RMB428.4 million, upon completion of which it will cease to have any equity interest in Project Company C.

The terms of the Exit Agreements are substantially similar, apart from the parties thereto (being shareholders of the relevant target company), the identity of the target company, the consideration payable and the method of settlement of the same. Key terms of the Exit Agreements are summarised below.

The Acquisitions (Exit Agreement A and Exit Agreement B)

- Parties
- (1) RK Purchaser (as purchaser under Exit Agreement A and Exit Agreement B)
 - (2) Agile Vendor A (as vendor under Exit Agreement A)

Agile Vendor B and Agile Management Companies (as vendors under Exit Agreement B)
 - (3) Project Company A (as target company under Exit Agreement A)

Project Company B (as target company under Exit Agreement B)

Subject matter and consideration

RK Purchaser agreed to purchase and

- (1) Agile Vendor A agreed to sell, Equity Interest A (being 50% equity interest in Project Company A) for Consideration A of RMB25 million; and
- (2) Agile Vendor B and Agile Management Companies agreed to sell, Equity Interest B (being 49% equity interest in Project Company B) for Consideration B of around RMB398.7 million.

Each of Consideration A and Consideration B was arrived after arm's length negotiation among the relevant parties. RK Group took into account the net asset value of Project Company A and Project Company B as at 30 September 2022 attributable to Equity Interest A and Equity Interest B, being around RMB174.5 million and RMB668 million respectively.

The timing and manner in which the consideration under each agreement is to be settled is described in the below section titled "Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement".

Condition precedent Each of the transfer of Equity Interest A and Equity Interest B is conditional upon RK Shareholders’ Approval and (if needed) Agile Shareholders’ Approval.

The Disposal (Exit Agreement C)

- Parties
- (1) RK Vendor (as vendor under Exit Agreement C)
 - (2) Agile Purchaser (as purchaser under Exit Agreement C)
 - (3) Agile Management Companies (as existing shareholders of the target company under Exit Agreement C)
 - (4) Project Company C (as target company under Exit Agreement C)

Subject matter and consideration RK Vendor agreed to sell and Agile Purchaser agreed to purchase, Equity Interest C (being 49% equity interest in Project Company C) for Consideration C of around RMB428.4 million.

The consideration was arrived after arm’s length negotiation among the parties. RK Group took into account the net asset value of Project Company C as at 30 September 2022 attributable to Equity Interest C, being around RMB449.5 million.

The timing and manner in which the consideration is to be settled is described in the below section titled “Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement”.

Completion and Settlement of Consideration under the Exit Agreements and the Jinan Yajun Agreement

Completion of each Exit Agreement takes place upon registration of the transfer of equity interest of the relevant Project Company to each relevant purchaser. Within 30 business days after RK Shareholders’ Approval and (if needed) Agile Shareholders’ Approval of the Acquisitions (whichever is later) or (for the Disposal) after Exit Agreement C being effective, the relevant vendor and purchaser shall procure the PRC authorities to complete such registration.

The vendor under each Exit Agreement agreed in that agreement to assign its right to receive consideration under that Exit Agreement to each Project Company on a dollar-for-dollar basis, such that the amount payable by the purchaser can be applied in and towards setting off amounts owed by that vendor to that Project Company. Such amounts owed by the vendor are outstanding due to cash distributions made by each Project Company to its shareholders pro rata to their equity interests. The effect of the assignment and set-off arrangement is as follows:-

- (a) the purchaser under each Exit Agreement will become obliged to pay the relevant consideration to each relevant Project Company (instead of the vendor);
- (b) the net amount due from each vendor to each relevant Project Company would be as follows:

Vendor	Project Company	Approximate Amount
Agile Vendor A	A	RMB84.8 million
Agile Vendor B and Agile Management Companies	B	RMB2.0 million
RK Vendor	C	RMB56.7 million

In addition, on 24 November 2022, all parties to all of the Exit Agreements (other than Agile Management Companies) and the parties to the Jinan Yajun Agreement (i.e. Jinan Junheng and Beijing Yaxin) entered into a set off agreement whereby the parties agreed to various assignment and/or set off arrangements (on a dollar-for-dollar basis), the net effect of which is within 3 business days after RK Shareholders’ Approval and (if needed) Agile Shareholders’ Approval (whichever is later) RK Group (through Jinan Junheng) is required to make a cash payment of around RMB9.9 million to Beijing Yaxin and no further cash payment is required to be made by any member of RK Group to another member of Agile Group (or vice versa) under any of the Exit Agreements and the Jinan Yajun Agreement.

RK Group plans to pay (through Jinan Junheng) the cash payment to Beijing Yaxin from its internal resources.

INFORMATION ON THE PROJECT COMPANIES

Each of the Project Companies is a company established in the PRC with limited liability with fully paid-up registered capital, and was set up as a joint venture company for undertaking the development of residential projects in Changzhou, Jiangsu Province, the PRC.

The ownership of each Project Company and its key assets are described in the table below:

	RK Group's interest	Agile Group's interest	Key asset being interest in
Project Company A	50%	50%	Project A
Project Company B	51%	48.91%	Project B
Project Company C	49%	50.88%	Project C

Note: Agile Management Company 1 and Agile Management Company 2 hold around 0.04% and 0.05% equity interest in Project Company B respectively and each holds around 0.06% equity interest in Project Company C.

Project A has a site with gross floor area of around 146,000 sq.m. of which around 132,000 sq.m. has been sold. Project A was first launched in the market for pre-sale in June 2019 and was delivered in May 2021. As of the date of Exit Agreement A, a small number of residential and commercial units and car-parking space remain to be sold.

Project B has a site with gross floor area of around 258,000 sq.m. of which around 246,000 sq.m. has been sold. Project B was first launched in the market for pre-sale in August 2018 and was delivered in 2020. As of the date of Exit Agreement B, a small number of car-parking space remain to be sold.

Project C has a site with gross floor area of around 335,000 sq.m. of which around 307,000 sq.m. has been sold. Project C was first launched in the market for pre-sale in September 2018. Phrases 1.1, 1.2 and 2.1 were delivered in December 2020, June 2021 and October 2022. Phrases 2.2 and 2.3 are scheduled for delivery in December 2022 and June 2023 respectively. As of the date of Exit Agreement C, a small number of commercial units and car-parking space remain to be sold.

Set out below is a summary of certain financial information of the Project Companies for FY2020 and FY2021 prepared in accordance with Hong Kong GAAP:

	FY2020 <i>RMB'million</i> (unaudited)	FY2021 <i>RMB'million</i> (unaudited)
Project Company A		
Net (loss)/profit before taxation	(24.2)	516.6
Net (loss)/profit after taxation	(18.1)	329.7
Project Company B		
Net profit/(loss) before taxation	883.0	(1.7)
Net profit/(loss) after taxation	662.7	(1.3)
Project Company C		
Net profit before taxation	241.4	19.9
Net profit after taxation	181.0	14.9

The unaudited net asset value of Project Company A, Project Company B and Project Company C as at 30 September 2022 under Hong Kong GAAP was around RMB348.9 million, RMB1,363.3 million and RMB917.4 million respectively, and the properties were booked at cost.

INFORMATION ON AGILE ENTITIES

Each of Agile Vendor A, Agile Vendor B/Agile Purchaser (both defined terms refer to the same company) and Agile Management Companies is a company established in the PRC with limited liability. Agile Vendor A is principally engaged in the provision of corporate management services, Agile Vendor B/Agile Purchaser is principally engaged in development of residential properties for sale in the PRC, Agile Management Companies are corporate vehicles established for Agile management team of Project C to co-invest in Project Company C.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries,

- (a) Agile Vendor B/Agile Purchaser is an indirect wholly-owned subsidiary of Agile Listco of which shares are listed on the Main Board of the Stock Exchange (stock code: 3383);
- (b) Agile Vendor A is owned as to 90% by Agile Vendor B/Agile Purchaser and as to 7% and 3% by Pingxiang Hengshun Enterprise Management Consultancy Partnership (Limited Partnership)* (萍鄉恒順企業管理諮詢合夥企業(有限合夥)) (“**Pingxiang Hengshun**”) and Qushui Guangfeng Enterprise Management Partnership (Limited Partnership)* (曲水廣豐企業管理合夥企業(有限合夥)) (“**Qushui Guangfeng**”) respectively. Pingxiang Hengshun is owned as to 49.5% by each of two individuals (namely Gu Jian (顧建) and Xue Xiaofen (薛小芬)) and as to 1% by Nantong Jijia Enterprise Management Company Limited* (南通吉佳企業管理有限公司) (“**Nantong Jijia**”) which is in turn owned by two individuals. Qushui Guangfeng is owned as to 19.802% by each of five individuals (namely Ding Xiaoying (定曉穎), Zhang Pinting (張聘婷), Xu Yaorong (徐耀榮), Xu Zhi (許智) and Shao Xianmin (邵顯敏)) and as to 0.99% by Guangzhou Guangjunxi Enterprise Management Co., Ltd.* (廣州廣駿熙企業管理有限公司) (“**Guangzhou Guangjunxi**”) which is in turn owned by two individuals;
- (c) Agile Management Company 1 is owned as to 99.9% by Pingxiang Hengshun and 0.1% by Nantong Jijia of which ultimate beneficial owners are disclosed in paragraph (b) above;
- (d) Agile Management Company 2 is owned as to 99.9% by Qushui Guangfeng and 0.1% by Guangzhou Guangjunxi of which ultimate beneficial owners are disclosed in paragraph (b) above; and

each of Agile Vendor A, Agile Vendor B/Agile Purchaser, Agile Management Companies and their ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND THE BENEFIT OF THE ACQUISITIONS AND THE DISPOSAL

The Company is an investment holding company and RK Group is principally engaged in property development and investment in the PRC and Hong Kong, with a focus on residential development, investment and asset management businesses, and development, operation and management of toll roads through infrastructure joint ventures in the PRC and Indonesia. RK Purchaser and RK Vendor are indirect wholly-owned subsidiaries of the Company and are principally engaged in development of residential properties for sale in the PRC.

As the projects developed and held by the Project Companies have largely been pre-sold, it is commonplace in the property development industry in the PRC to unwind joint ventures to allow for greater flexibility in managing the residual properties in the relevant projects.

The Acquisitions will allow RK Group to unwind the joint venture structures in relation to Project A and Project B at a slight discount to the net asset value attributable to Equity Interest A and Equity Interest B respectively. Following completion of the Acquisitions, the Company will have full control over the deployment (including sale) of the unsold residential and commercial units and/or car-parking spaces in Project A and Project B and the liquidation of Project Company A and Project Company B.

The Disposal will allow RK Group to exit from Project C at a slight discount to the net asset value attributable to Equity Interest C. Given that more than 90% of the gross floor area of the site has been sold, the investment in Project Company C is not expected to generate significant cashflow to RK Group in the future and the Company takes the view that it is to RK Group's benefits to realise this investment now and re-allocate management time and attention that will be required to ensure completion of construction and delivery of pre-sold units as scheduled towards other projects of RK Group.

The Company estimates that it will recognise: (i) a negative goodwill of around RMB38.9 million and RMB7.7 million as a result of the acquisitions of Equity Interest A and Equity Interest B respectively, after considering the respective subsequent profit distribution of around RMB110.6 million and RMB261.6 million; and (ii) a net loss of around RMB21.1 million as a result of the Disposal, for FY2022. The loss resulting from the Disposal reflects the difference between: (i) Consideration C; and (ii) the unaudited carrying value of Equity Interest C of around RMB449.5 million as at 30 September 2022. As the transactions were negotiated as a package, the Company considers that commercially the modest loss arising from the Disposal is more than offset by the favourable acquisition prices under the Acquisitions and the transactions as a whole are in the interests of the Company and the Shareholders as a whole and their terms are fair and reasonable.

LISTING RULES IMPLICATIONS

Given that the acquisitions under the Jinan Yajun Agreement and the Jinan Junsheng Agreement took place within 12 months prior to the Acquisitions, and the vendors of those agreements are parties connected to or associated with Agile Vendors, the Acquisitions and the Jinan Acquisitions are aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisitions, when aggregated with the Jinan Acquisitions, is more than 25% but less than 100%, the Acquisitions constitute a major transaction for the Company, which is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal, is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company, which is subject to the announcement requirements but exempt from the shareholders' approval requirements under the Listing Rules.

SGM AND CIRCULAR

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Acquisitions.

A circular containing, amongst other things, information on the Acquisitions, Project Company A and Project Company B, accountants' reports of Project Company A and Project Company B, pro-forma balance sheet of RK Group, property valuation reports of the sites of Project A and Project B and a notice convening the SGM is expected to be despatched to the Shareholders on or about 23 December 2022 because the Company will need additional time to prepare the reports for inclusion in the circular.

To the best knowledge of the Directors having made reasonable enquiry, no Shareholder has any material interest in the Acquisitions and thus no Shareholder is required to abstain from voting at the SGM.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisitions”	acquisitions of Equity Interest A and Equity Interest B under Exit Agreement A and Exit Agreement B
“Agile Group”	Agile Listco and its subsidiaries
“Agile Listco”	Agile Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 3383)
“Agile Management Company 1”	Nantong Hezhong Enterprise Management Co., Ltd* (南通合眾企業管理有限公司), a company established in the PRC which holds around 0.04% equity interest in Project Company B and around 0.06% equity interest in Project Company C
“Agile Management Company 2”	Guangzhou Tongxing Enterprise Management Co., Ltd* (廣州同興企業管理有限公司), a company established in the PRC which holds around 0.05% equity interest in Project Company B and around 0.06% equity interest in Project Company C

“Agile Management Companies”	Agile Management Company 1 and Agile Management Company 2
“Agile Shareholders’ Approval”	approval of the Acquisitions by shareholders of Agile Listco at a general meeting
“Agile Vendor A”	Nantong Yaxin Enterprise Management Consulting Co., Ltd* (南通雅信企業管理諮詢有限公司), a company established in the PRC which holds 50% equity interest in Project Company A
“Agile Vendor B” or “Agile Purchaser”	Changzhou Agile Properties Development Co., Ltd* (常州雅居樂房地產開發有限公司), a company established in the PRC which holds 48.91% and around 50.88% equity interests in Project Company B and Project Company C respectively
“Agile Vendors”	Agile Vendor A and Agile Vendor B
“Beijing Yaxin”	Beijing Yaxin Property Development Co., Ltd.* (北京雅信房地產開發有限公司), a company established in the PRC which is an indirect wholly-owned subsidiary of Agile Listco
“Board”	the board of Directors of the Company
“Company”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1098)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration A”	Consideration of RMB25 million payable by RK Purchaser for Equity Interest A
“Consideration B”	Consideration of around RMB398.7 million payable by RK Purchaser for Equity Interest B
“Consideration C”	Consideration of around RMB428.4 million payable by Agile Purchaser for Equity Interest C
“Directors”	the director(s) of the Company

“Disposal”	disposal of Equity Interest C under Exit Agreement C
“Equity Interest A”	the 50% equity interest in Project Company A owned by Agile Vendor A
“Equity Interest B”	the 49% equity interest in Project Company B owned by Agile Vendor B and Agile Management Companies
“Equity Interest C”	the 49% equity interest in Project Company C owned by RK Vendor
“Exit Agreement A”	the exit agreement pursuant to which RK Purchaser purchases Equity Interest A from Agile Vendor A
“Exit Agreement B”	the exit agreement pursuant to which RK Purchaser purchases Equity Interest B from Agile Vendor B and Agile Management Companies
“Exit Agreement C”	the exit agreement pursuant to which Agile Purchaser purchases Equity Interest C from RK Vendor
“Exit Agreements”	Exit Agreement A, Exit Agreement B and Exit Agreement C
“FY2020”	the financial year ended 31 December 2020
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ending 31 December 2022
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong GAAP”	Hong Kong generally accepted accounting principles
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Jinan Acquisitions”	acquisitions of equity interests in two joint ventures by Jinan Junheng pursuant to Jinan Yajun Agreement and Jinan Junsheng Agreement

“Jinan Junheng”	Jinan Junheng Properties Developments Co., Ltd.* (濟南雋恒房地產開發有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Jinan Junsheng Agreement”	an agreement pursuant to which Jinan Junheng purchased equity interests in a joint venture in Jinan, Shandong, the PRC from members of Agile Group. Please see the Company’s announcement dated 1 September 2022 for the details
“Jinan Yajun Agreement”	an agreement pursuant to which Jinan Junheng purchased equity interests in a joint venture in Jinan, Shandong, the PRC from members of Agile Group. Please see the Company’s announcement dated 1 September 2022 for the details
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project A”	the Guo Shi Jiu Li project* (國仕九禮項目), a residential project in Changzhou, Jiangsu Province, the PRC
“Project B”	the City Wan Xiang project* (城市萬象項目), a residential project in Changzhou, Jiangsu Province, the PRC
“Project C”	the Tang Song project* (棠頌項目), a residential project in Changzhou, Jiangsu Province, the PRC
“Project Company A”	Changzhou Road King Yaju Properties Development Co., Ltd* (常州路勁雅居房地產開發有限公司), a company established in the PRC
“Project Company B”	Changzhou Jinya Properties Development Co., Ltd* (常州勁雅房地產開發有限公司), a company established in the PRC
“Project Company C”	Changzhou Yajin Properties Developments Co., Ltd* (常州雅勁房地產開發有限公司), a company established in the PRC
“Project Companies”	Project Company A, Project Company B and Project Company C
“RK Group”	the Company and its subsidiaries from time to time

“RK Purchaser”	Changzhou RK Properties Developments Ltd.* (常州路勁房地產開發有限公司), a company established in the PRC which holds 50% equity interest in Project Company A and 51% equity interest in Project Company B
“RK Shareholders’ Approval”	approval of the Acquisitions by the Shareholders at the SGM
“RK Vendor”	Changzhou Great Superior Properties Developments Ltd.* (常州宏佳房地產開發有限公司), a company established in the PRC, which holds 49% equity interest in Project Company C
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Acquisitions
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 24 November 2022

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

* *for identification purpose only*