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ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTEREST IN AN ASSOCIATE

The Board announces that on 10 June 2022, Beijing Juntou, an indirect wholly-owned subsidiary of the Company, and Hebei Jiantou entered into the Equity Transfer Agreement, pursuant to which Hebei Jiantou agreed to acquire and Beijing Juntou agreed to sell, 45% equity interest in the Target Company at a Consideration of approximately RMB68.9 million, subject to adjustment described below, together with the repayment of the Shareholders' Loans (as defined below) in the amount of approximately RMB802.1 million (including the interest accrued thereon).

As at the date of this announcement, the Group holds 45% of the equity interest in the Target Company through Beijing Juntou. Upon Completion of the Disposal, the Group will no longer have any equity interest in the Target Company and the Target Company will cease to be an associate of the Company.

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

THE DISPOSAL

The Board announces that on 10 June 2022, Beijing Juntou, an indirect wholly-owned subsidiary of the Company and Hebei Jiantou entered into the Equity Transfer Agreement described below.

EQUITY TRANSFER AGREEMENT

Date: 10 June 2022

- Parties:
- (1) Beijing Juntou (as the vendor), an indirect wholly-owned subsidiary of the Company. Its principal business is to develop residential properties in the PRC.
 - (2) Hebei Jiantou (as the purchaser), a company established in the PRC with limited liability. It is principally engaged in business related to, among other things, property development and urbanisation projects in the PRC.

According to publicly available information, Hebei Jiantou is wholly-owned by Hebei Construction which in turn is wholly-owned by 河北省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the People's Government of Hebei Province). To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Hebei Jiantou, Hebei Construction and their ultimate beneficial owners are Independent Third Parties.

- (3) The Target Company and the Target Co Subsidiaries.

The Target Company is owned as to 45%, 35% and 20% by Beijing Juntou, Hebei Jiantou and Hebei Construction, respectively. Further particulars of the Target Company are set out under "Information on The Target Company" below.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the ultimate beneficial owners of the Target Co Subsidiaries (other than members of the Target Company) are Independent Third Parties.

Subject Matter: Hebei Jiantou agreed to acquire and Beijing Juntou agreed to sell the Target Equity, being 45% equity interest in the Target Company held by Beijing Juntou.

Consideration

The Consideration for the Disposal is approximately RMB68.9 million. It was determined after arm's length negotiations between the parties with reference to the unaudited consolidated net assets value of the Target Company attributable to the Target Equity as at 30 April 2022 of approximately RMB85.4 million and taking into account the current plans of the Target Group that envisage pre-sales of projects to commence no earlier than 2023.

Approximately RMB46.4 million ("**Completion Payment**") of the Consideration is to be paid on or before the Payment Deadline. Hebei Jiantou is required to deliver on or before the Bank Guarantee Deadline an irrevocable bank performance guarantee in favour of Beijing Juntou for the Completion Payment. The balance of Consideration of RMB22.5 million is to be settled solely out of 45% of the amounts recovered (net of related cost and expenses) ("**Net Recoveries**") from the legal proceedings for the recovery of an entrusted loan advanced by the Target Company in the principal amount of RMB50 million.

Beijing Juntou is entitled to receive and is obliged to bear 45% of any undistributed profits/cumulative losses of the Target Company from 30 April 2022 to the date of the Completion ("**Transition Period**"), based on an audit of the Target Company's financial statements for that period in accordance with the generally accepted accounting principles in the PRC (the "**PRC GAAP**"). In addition, Beijing Juntou is also entitled to take up 45% share of the Net Recoveries or costs with respect to certain ongoing disputes of the Target Company and its subsidiaries specified in the Equity Transfer Agreement and/or referred to below.

Completion

Completion is to take place within 15 days of receipt by Beijing Juntou of the irrevocable bank performance guarantees for the Completion Payment and part of the Shareholders' Loans (as defined below).

Repayment of Shareholders' Loans

As at 30 April 2022, the Target Group had an aggregate outstanding indebtedness due to Beijing Juntou and its holding company in the amount of approximately RMB802.1 million (including the interest accrued thereon) (the "**Shareholders' Loans**").

Approximately RMB586.3 million of the Shareholders' Loans is to be repaid (together with interest accrued up to and including the Transition Period) on or before the Payment Deadline. Hebei Jiantou is also required to deliver irrevocable bank performance guarantees for such payment on or before the Bank Guarantee Deadline.

The remaining Shareholders' Loans of approximately RMB215.8 million in aggregate is to be settled solely upon receipt of 45% share of the Net Recoveries of the Target Group from (i) the enforcement of an arbitral award made in March 2022 in the amount of approximately RMB369.6 million in favour of the Target Group in relation to certain land acquisition fees; and (ii) a dispute involving claims by the Target Group for the recovery of certain land compensation fees in the total amount of approximately RMB110 million. The sums paid by the Target Group that were the subject matter of such award/claims were originally funded (on a pro-rata basis) by those remaining Shareholders' Loans.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability with registered capital of RMB460 million, which has been fully paid-up. It is principally engaged in the business of construction of urban infrastructures in the PRC. The Target Company also engages in development of residential properties for sale through four subsidiaries (two of which it wholly-owns).

The audited consolidated net loss of the Target Group before and after taxation of the Target Group for each of the years ended 31 December 2020 and 2021 prepared in accordance with PRC GAAP were as follows:

	For the year ended 31 December	
	2020	2021
	RMB'million	RMB'million
	(audited)	(audited)
Net loss before taxation <i>(Note)</i>	93.0	50.3
Net loss after taxation <i>(Note)</i>	93.8	52.2

Note: The development properties held by the Target Group are booked at cost and the net loss of the Target Group for each of the years ended 31 December 2020 and 2021 was attributable to both expenses for the development of the projects and the interest expenses accrued on the Shareholders' Loans owed by the Target Group.

The audited consolidated net asset value of the Target Group as at 31 December 2021 under PRC GAAP was approximately RMB93.8 million.

REASONS FOR AND THE BENEFIT AND FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in property development and investment in the PRC and Hong Kong, with a focus on residential developments, investment and asset management businesses, and development, operation and management of toll roads through infrastructure joint ventures in the PRC and Indonesia.

The Group from time to time reviews its property development portfolio to optimize its mix. Having regard to the current plans that envisage pre-sales of the substantial projects undertaken by the Target Group to commence no earlier than 2023, the Disposal will allow the Group to substantially realise its investment in the Target Group and to re-deploy those cash resources (net of expenses incurred in connection with the Disposal) in and towards the working capital of the Group.

As at the date of this announcement, the Group holds 45% of equity interest in the Target Company through Beijing Juntou. Upon Completion of the Disposal, the Group will no longer hold any equity interest in the Target Company and the Target Company will cease to be an associate of the Company.

The Company estimates that it will recognise a net loss of approximately RMB16.5 million as a result of the Disposal for the year ending 31 December 2022. Such result is calculated as the difference between: (i) the Consideration of approximately RMB68.9 million; (ii) the unaudited carrying value of the equity interest in the Target Company held by Beijing Juntou of RMB85.4 million as at 30 April 2022; and (iii) the related transaction costs, taxes and expenses of the Disposal. The effect of such net loss will be negligible to the Group after taking into account the interest payments to be received by the Group upon repayment of the Shareholders' Loans described above.

The Directors are of the view that the Disposal and the terms of the Equity Transfer Agreement are on normal commercial terms, and such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in respect of the Disposal which requires him/her to abstain from voting on the relevant board resolution.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Group holds 45% of the equity interest in the Target Company through Beijing Juntou. Upon Completion of the Disposal, the Group will no longer have any equity interest in the Target Company and the Target Company will cease to be an associate of the Company.

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

DEFINITIONS

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

“Bank Guarantee Deadline”	the deadline for Hebei Jiantou to deliver the irrevocable bank performance guarantees in respect of the Completion Payment and part of the Shareholders' Loans, being 5 business days from the date of the Equity Transfer Agreement
“Beijing Juntou”	北京雋投房地產開發有限公司 (Beijing Juntou Properties Developments Co., Ltd.*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors

“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
“Completion”	the registration of change in ownership of the Target Equity by the relevant administration of industry and commerce
“Consideration”	the consideration of the Disposal under the Equity Transfer Agreement (being approximately RMB68.9 million)
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of 45% equity interest in the Target Company to Hebei Jiantou by Beijing Juntou pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 10 June 2022 entered into among Beijing Juntou, Hebei Jiantou and the Target Group in relation to the Disposal and the repayment of the Shareholders’ Loans
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hebei Construction”	河北建設投資集團有限責任公司 (Hebei Construction & Investment Group Co., Ltd*), a company established in the PRC, which holds of 20% equity interests in the Target Company
“Hebei Jiantou”	河北建投城鎮化建設開發有限公司 (Hebei Jiantou Urbanization Construction & Development Co., Ltd*), a company established in the PRC, which holds 35% equity interests in the Target Company and is the purchaser of the Target Equity
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Payment Deadline”	the payment deadline for the Completion Payment and part of the Shareholders’ Loans, being 10 business days after the Completion
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	河北建投路勁城鎮化建設開發有限公司 (Hebei Jiantou Road King Urbanization Construction & Development Co., Ltd*), a company established in the PRC
“Target Co Subsidiaries”	<p>the wholly-owned subsidiaries of the Target Company, namely 河北可心農業開發有限公司 (Hebei Kexin Agricultural Development Company Limited*) and 固安建投置地房地產開發有限公司 (Guan Jiantou Real Estate Development Limited*) and the non wholly-owned subsidiaries of the Target Company, namely 河北建投雋惠房地產開發有限公司 (Hebei Jiantou Junhui Real Estate Development Company Limited*) and 永清建投雋圓房地產開發有限公司 (Yongqing Jiantou Junyuan Real Estate Development Company Limited*), all of which are limited liability companies incorporated in the PRC and principally engaged in, inter alia, the business of real estate property development and management in the PRC</p> <p>河北建投雋惠房地產開發有限公司 (Hebei Jiantou Junhui Real Estate Development Company Limited*) is owned as to 60% and 40% by the Target Company and 河北炳祥房地產開發有限公司 (Hebei Bingxiang Real Estate Development Co., Ltd.*) which in turn is wholly-owned by 賈佔國 (Jia Zanguo), respectively</p> <p>永清建投雋圓房地產開發有限公司 (Yongqing Jiantou Junyuan Real Estate Development Company Limited*) is owned as to 80% and 20% by the Target Company and 永清縣天圓萬嘉農業發展有限公司 (Yongqing County Tianyuan Wanjia Agricultural Development Co., Ltd.*, which in turn is held by 傅俐鈞 (Fu Lijun) and 閔運芝 (Yan Yunzhi)) respectively</p>

“Target Equity” 45% equity interest in the Target Company held by Beijing Juntou (the corresponding registered capital is RMB207 million, which has been fully paid up)

“Target Group” the Target Company and Target Co Subsidiaries

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

Hong Kong, 10 June 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*