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RIVERINE CHINA HOLDINGS LIMITED

浦江中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1417)

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2020

RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of Riverine China Holdings Limited and its subsidiaries for the six months ended 30 June 2020 together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2020

		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	4(a)	339,914	225,346
Cost of services provided	5(a)	(280,894)	(186,689)
Gross profit		59,020	38,657
Other income and gains, net	4(b)	5,061	3,019
Selling and distribution expenses		(3,792)	(4,560)
Administrative expenses		(32,676)	(24,066)
Finance costs	6	(2,947)	(647)
Share of profits and losses of:			
Joint ventures		2,386	3,108
Associates		6,282	3,429

		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
	<i>Notes</i>		
PROFIT BEFORE TAX	5	33,334	18,940
Income tax expense	7	<u>(7,351)</u>	<u>(1,202)</u>
PROFIT FOR THE PERIOD		<u>25,983</u>	<u>17,738</u>
Attributable to:			
Owners of the parent		18,190	16,435
Non-controlling interests		<u>7,793</u>	<u>1,303</u>
		<u>25,983</u>	<u>17,738</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>RMB</i>)	9	<u>0.04</u>	<u>0.04</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>25,983</u>	<u>17,738</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	6,219	—
Exchange differences:		
Exchange differences on translation of foreign operations	<u>639</u>	<u>(490)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>6,858</u>	<u>(490)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>6,858</u>	<u>(490)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>32,841</u>	<u>17,248</u>
Attributable to:		
Owners of the parent	25,048	15,945
Non-controlling interests	<u>7,793</u>	<u>1,303</u>
	<u>32,841</u>	<u>17,248</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	36,826	4,367
Right-of-use assets		9,360	—
Goodwill		25,901	—
Intangible assets		54,448	3,490
Investments in joint venture		16,322	19,858
Investments in associates		86,150	83,015
Equity investments designated at fair value through other comprehensive income		17,122	6,290
Other non-current assets		2,305	30,000
Deferred tax assets		661	212
Total non-current assets		249,095	147,232
CURRENT ASSETS			
Inventories		219	168
Trade receivables	11	185,938	100,183
Prepayments and other receivables		117,506	48,354
Restricted bank balances		10,650	14,113
Wealth management products		6,000	5,000
Cash and cash equivalents		161,000	143,557
Total current assets		481,313	311,375

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
	Notes		
CURRENT LIABILITIES			
Trade payables	12	84,997	74,923
Other payables and accruals		132,944	75,563
Interest-bearing bank loans and other borrowings		129,004	61,515
Lease liabilities		3,837	—
Tax payable		13,066	7,040
Total current liabilities		363,848	219,041
NET CURRENT ASSETS			
		117,465	92,334
TOTAL ASSETS LESS CURRENT LIABILITIES			
		366,560	239,566
NON CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		6,622	—
Deferred tax liabilities		12,875	—
Lease liabilities		5,837	—
Total non-current liabilities		25,334	—
Net assets		341,226	239,566
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,391	3,391
Reserves		249,890	224,842
		253,281	228,233
Non-controlling interests		87,945	11,333
Total equity		341,226	239,566

NOTES

1. CORPORATE AND GROUP INFORMATION

Riverine China Holdings Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 December 2017 (the “**Listing**”).

2.1 BASIS OF PRESENTATION AND PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has 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**”). The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> <i>(early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

3. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2020	Property management services (Unaudited) RMB'000	Urban sanitary services (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue			
Property management services income on the lump sum basis	247,088	—	247,088
Property management services income on the fixed remuneration basis	2,666	—	2,666
Urban sanitary services income	—	90,160	90,160
	<u>249,754</u>	<u>90,160</u>	<u>339,914</u>
Segment results	<u>36,788</u>	<u>22,232</u>	<u>59,020</u>
Reconciliation:			
Other income and gains			5,061
Selling and distribution expenses			(3,792)
Administrative expenses			(32,676)
Finance costs			(2,947)
Share of profits of joint ventures			2,386
Share of profits of associates			6,282
Profit before tax			<u>33,334</u>

For the six months ended 30 June 2019	Property management services (Unaudited) RMB'000
Segment revenue	
Property management services income on the lump sum basis	222,862
Property management services income on the fixed remuneration basis	2,484
	225,346
Segment results	38,657
Reconciliation:	
Other income and gains	3,019
Selling and distribution expenses	(4,560)
Administrative expenses	(24,066)
Finance costs	(647)
Share of profits of joint ventures	3,108
Share of profits of associates	3,429
Profit before tax	18,940

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of segment asset and liability is presented as the management of the Company does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

An analysis of revenue is as follows:

Revenue from contracts with customers	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Property management services income on the lump sum basis	247,088	222,862
Property management services income on the fixed remuneration basis	2,666	2,484
Urban sanitary services income	90,160	—
Revenue from contracts with customers	339,914	225,346

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Property management services (Unaudited) RMB'000	Urban sanitary services (Unaudited) RMB'000	Total (Unaudited) RMB'000
Types of or services			
Property management services income on the lump sum basis	247,088	—	247,088
Property management services income on the fixed remuneration basis	2,666	—	2,666
Urban sanitary services income	—	90,160	90,160
Total revenue from contracts with customers	249,754	90,160	339,914
Geographical markets			
Mainland China	249,754	90,160	339,914
Timing of revenue recognition			
Services transferred over time	249,754	90,160	339,914

For the six months ended 30 June 2019

Segments	Property management service (Unaudited) RMB'000
Types of or services	
Property management services income on the lump sum basis	222,862
Property management services income on the fixed remuneration basis	2,484
	<u>225,346</u>
Total revenue from contracts with customers	<u>225,346</u>
Geographical markets	
Mainland China	<u>225,346</u>
Timing of revenue recognition	
Services transferred over time	<u>225,346</u>

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

For the six months ended 30 June 2020

Segments	Property management services (Unaudited) RMB'000	Urban sanitary services (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from contracts with customers			
External customers	<u>249,754</u>	<u>90,160</u>	<u>339,914</u>

For the six months ended 30 June 2019

Segments	Property management service (Unaudited) RMB'000
Revenue from contracts with customers	
External customers	<u>225,346</u>

(b) Other income and gains, net:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	660	571
Government grants*	2,723	1,902
Others	1,678	546
	5,061	3,019

* Government grants include various subsidies received by the Group from the relevant government bodies. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(a) Cost of sales:		
Cost of services provided	<u>280,894</u>	<u>186,689</u>
(b) Employee benefit expenses (including Directors' and chief executive's remuneration)		
Wages and salaries	111,320	48,273
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	<u>12,197</u>	<u>16,516</u>
	<u>123,517</u>	<u>64,789</u>
(c) Other items:		
Depreciation of items of property, plant and equipment	4,577	631
Amortisation of intangible assets	3,142	108
Minimum lease payments under operating leases	774	829
Bank charges	114	236
Auditor's remuneration	500	230
Office expenses	1,942	501
Research and development cost	4,044	4,362
Net loss on disposal of items of property, plant and equipment	<u>234</u>	<u>24</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expense on bank borrowings	2,671	647
Interest on lease liabilities	<u>276</u>	<u>—</u>
	<u>2,947</u>	<u>647</u>

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group and the Company are not liable for income tax in Hong Kong as they did not have assessable income sourced from Hong Kong during the period.

The Company is a tax-exempted company incorporated in the Cayman Islands.

Under the People's Republic of China (the "PRC") Corporate Income Tax Law (the "New CIT Law"), the income tax rate became 25% starting from 1 January 2008. Therefore, a provision for the PRC income tax has been made at the applicable income tax rate of 25% (2019: 25%) on the assessable profits of the PRC subsidiaries.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current Mainland China corporate income tax		
Charge for the period	8,212	1,202
Deferred tax	(861)	—
Total tax charge for the period	<u>7,351</u>	<u>1,202</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Proposed interim dividend for 2020: HK1.0 cent (2019: HK 0.8 cent) per ordinary share	<u>3,600</u>	<u>2,927</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the period attributable to the ordinary equity holders of the parent of RMB18,190,000 and the weighted average number of ordinary shares of 405,000,000 in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period.

10. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Carrying amount at 1 January	<u>4,367</u>	<u>3,750</u>
Additions	7,638	2,352
Acquisition of a subsidiary	29,632	—
Depreciation provided during the period/year	<u>(4,577)</u>	<u>(1,655)</u>
Disposals	<u>(234)</u>	<u>(80)</u>
Carrying amount at 30 June 2020/ 31 December 2019	<u>36,826</u>	<u>4,367</u>

The Group pledged certain of its motor vehicles to secure the Group's borrowings which were included as interest-bearing other borrowings in the amount of approximately RMB6,113,000. The net carrying amount of these pledged motor vehicles as at 30 June 2020 were approximately RMB5,140,000.

11. TRADE RECEIVABLES

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Trade receivables	188,320	101,030
Impairment	<u>(2,382)</u>	<u>(847)</u>
	<u>185,938</u>	<u>100,183</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance are normally required. The credit period is generally 10 days, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group pledged and factored certain of its trade receivables to secure the Group's borrowings which were included as other borrowings in the amount of approximately RMB15,854,000. The net carrying amount of these pledged trade receivables as at 30 June 2020 were approximately RMB7,239,000.

An aging analysis of the trade receivables as at the end of the respective reporting periods, based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Within 1 years	182,307	97,831
Over 1 year	3,631	2,352
	<u>185,938</u>	<u>100,183</u>

12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the respective reporting periods, based on the invoice date, is as follows:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Within 3 months	80,225	71,905
3 to 12 months	2,250	2,865
Over 1 year	2,522	153
	<u>84,997</u>	<u>74,923</u>

The trade payables are unsecured, non-interest-bearing and are normally settled on terms of 5 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The urbanization development of the PRC has been gradually accelerating since the 1980s with urbanization rate increasing from approximately 19.4% in 1980 to approximately 60.6% in 2019. As compared to the average urbanization rate of approximately 70% in developed countries, there are further potential for urbanization development in the PRC. Improved urbanization has led to an increased demand for residential and other property projects, resulting in an increased demand for comprehensive urban public services, including property management services and urban sanitary services.

The rapidly growing economy of the PRC has spurred continuous growth in the annual disposable income per urban capita. According to the National Bureau of Statistics of China's preliminary calculation, the annual disposable income per urban capita increased from approximately RMB39,251 in 2018 to approximately RMB42,359 in 2019. The increasing demand for better living conditions is another factor triggering the growth of property management and environmental sanitary markets.

In line with the economic growth and urbanization of the PRC, there are increasing construction of public facilities, such as museums, arenas and stadiums, as well as newly-constructed urban road areas to cater for the increasing demand from city dwellers of the PRC. Meanwhile, the increased urban population is promoting the demand for refuse treatment both in qualities and quantities.

BUSINESS REVIEW

The Group, through its operating subsidiaries and investments in associates, provides a wide range of comprehensive urban public services, including property management services with valued-added services to a variety of properties in the PRC and urban sanitary services to various areas.

The properties managed by the Group are mainly located in Shanghai and expanded to Tianjin, Anhui, Zhejiang, Jiangsu, Jiangxi, Fujian, Sichuan, Henan, Hubei and Hunan provinces. The urban sanitary services are mainly performed in Fujian and Sichuan provinces.

During the Period, the Group through its subsidiaries and investments in associated companies had entered into 497 property management agreements for the provision of various kinds of property management services for the properties in the PRC, representing an increase of approximately 22.7% as compared to 405 property management agreements in the same period of 2019.

During the Period, approximately 73.5% of total revenue was generated from provision of property management services, of which approximately 91.2% to non-residential properties whereas the remaining approximately 8.8% was generated from residential properties and other services. Also, approximately 26.5% of the Group's total revenue was generated from provision of urban sanitary services.

The Group's property management services have been and will continue to be strategically focused on non-residential properties in the PRC and the Group's urban sanitary service is an important part of the comprehensive urban public services.

The table below sets forth a breakdown of revenues from providing property management services by type of managed properties for the period indicated.

	For the six months ended 30 June			
	2020		2019	
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total
Commercial establishments & office buildings	141,858	56.8%	113,925	50.6%
Public properties	62,420	25.0%	70,032	31.0%
Residential properties	21,930	8.8%	18,856	8.4%
Others	23,546	9.4%	22,534	10.0%
Total	<u>249,754</u>	<u>100%</u>	<u>225,347</u>	<u>100%</u>

The table below sets forth a breakdown of revenues from providing urban sanitary services by various areas for the period indicated.

	For the six months ended 30 June			
	2020		2019	
	Revenue <i>RMB'000</i>	% of total	Revenue <i>RMB'000</i>	% of total
Fujian	55,846	61.9%	N/A	N/A
Sichuan	32,440	36.0%	N/A	N/A
Other	1,874	2.1%	N/A	N/A
Total	<u>90,160</u>	<u>100%</u>	<u>N/A</u>	<u>N/A</u>

HUMAN RESOURCES

The Group employed 5,692 employees and dispatched staff as of 30 June 2020. The Group also subcontracted part of the labour intensive work, such as security, cleaning and gardening services and certain specialized engineering repairs and maintenance works to sub-contractors. The employment contracts either have no fixed terms, or if there are fixed terms, the terms are generally up to three years, after which the Group will evaluate renewals based on performance appraisals. All of the full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses may also be awarded to employees based on the individual employee's performance. The Group conducts regular performance appraisals to ensure that the employees receive feedback on their performance.

PROSPECTS

Following the listing on the Stock Exchange on 11 December 2017, the Group, by leveraging on its capital, has striven to develop as an operator for systematic urban management engaging in environmental and property management businesses in core regions around the country. Currently, the Group has been actively developing its business in the cities along the eastern coast, as well as the regions along the Yangtze River by extending the horizontal development of complementary products and vertical development along the industrial chain. The Group has gradually kick-started its acquisition and investment activities. Against the backdrop of global economic downturn, the Group will carry out its acquisition activities in a prudent manner. With the Group's acquisition of Shanghai Xin Shi Bei and Hong Xin in August 2019 and January 2020 respectively, the profit contribution from the acquisition and investment activities has gradually emerged in 2020.

As a leading service provider in the non-residential property management service industry, the Group will continue to build up its core competitiveness in engineering technology. We endeavor to achieve innovative development in engineering technology with our ability to operate and maintain the online and offline integrated engineering equipment and facility for Shanghai Bund Ke Pu as well as professional resources synchronization mechanism.

Furthermore, based on various technologies, such as the Internet of Things, the Internet, 3D technology and big data, the Group will continue to utilise its property management business as a pilot business to develop a self-owned open source smart building system, “*Dynamic Building Matrix*” (“**DBM**”) to manage the data of basic status of buildings, which allows the provision of data and information as well as professional service to relevant parties, including property owners, property users, managers and regulators. In 2020, we have achieved the sales of this system to customers at home and abroad. The Group will prudently expand the market at home and abroad and gradually realize the output effect of science and technology investment on the premise of ensuring advanced and stable technology.

Since the outbreak of COVID-19 in China in January 2020, the Group has taken active measures to implement the regulations and requirements issued by the local government on the prevention and control of COVID-19, and carry out all epidemic prevention work, focusing on the health of the customers, users and employees and the public security and social responsibilities. Although this outbreak has had a huge impact on the global economy, and may inevitably continue to spread and affect the upstream and downstream enterprises of the Group to varying degrees, however, according to the current guidance of domestic policies, the important role of sanitation and property management in urban comprehensive services in the epidemic will be recognized by the community. The Group will continue to deepen its strategic positioning, assess and measure the risks posed by the outbreak, and identify and seize the opportunities in this crisis.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately 50.9% to approximately RMB339.9 million for the six months ended 30 June 2020 from approximately RMB225.3 million for the six months ended 30 June 2019. The increase in revenue was mainly attributable to (i) the approximately RMB90.2 million revenue generated from environmental sanitary services with the acquisition of Hong Xin, and (ii) the increase in revenue generated from property management services increased from approximately RMB225.3 million for the six months ended 30 June 2019 to approximately RMB249.8 million for the Period.

Cost of services provided

The Group’s cost of services provided increased by approximately 50.5% to approximately RMB280.9 million for the six months ended 30 June 2020 from approximately RMB186.7 million for the six months ended 30 June 2019. The increase in cost of service provided was primarily due to (i) increase in property management services income which leads to the increase in staff costs and sub-contracting staff costs; (ii) the increase in environmental sanitary services income which leads to the increase in labour costs; and (iii) the Group continues to recruit more talent staff and providing training for existing staff to cope with the expansion of operations.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 52.7% to approximately RMB59.0 million for the six months ended 30 June 2020 from approximately RMB38.7 million for the six months ended 30 June 2019 due to an increase in revenue despite being partially offset by the increase in the cost of services provided. Gross profit margin for the six months ended 30 June 2020 was approximately 17.4% which was slightly higher than gross profit margin for the six months ended 30 June 2019 at approximately 17.2%.

Other income and gains

The Group's net other income and gains increased to approximately RMB5.1 million for the six months ended 30 June 2020 from approximately RMB3.0 million for the six months ended 30 June 2019. The increase in net other income and gains was primarily due to the increase in government grants.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 17.4% to approximately RMB3.8 million for the six months ended 30 June 2020 from approximately RMB4.6 million for the six months ended 30 June 2019. The increase in selling and distribution expenses was primarily due to shrinking travelling and entertainment activities caused by COVID-19.

Administrative expenses

The administrative expenses increased by approximately 35.7% to approximately RMB32.7 million for the six months ended 30 June 2020 from approximately RMB24.1 million for the six months ended 30 June 2019. The increase in the administrative expenses was primarily attributable to (i) increased staff cost with the Group's expansion in business scale and entering into urban environmental sanitation market; and (ii) the amortization of intangible asset arisen from the acquisition of Hong Xin.

Finance costs

The finance costs increased to approximately RMB2.9 million for the six months ended 30 June 2020 from approximately RMB0.6 million for the six months ended 30 June 2019, which was due to the increase in average bank loans and other borrowings leveraged for purchasing sanitation vehicles during the Period.

Share of profits and losses of joint ventures

Shares of profits of joint ventures decreased to approximately RMB2.4 million for the six months ended 30 June 2020 from approximately RMB3.1 million for the six months ended 30 June 2019, which was primarily due to the decrease in profits shared from Hefei Zheng Wen.

Share of profits and losses of associates

Share of profit of associates increased by approximately 85.3% to approximately RMB6.3 million for the six months ended 30 June 2020 from approximately RMB3.4 million for the six months ended 30 June 2019 which was primarily due to the increase in profits shared from Shanghai Xin Shi Bei, Anhui Pu Bang, Ningbo Plaza and Shanghai Qiang Sheng amounted to approximately RMB1.0 million, RMB0.8million, RMB0.4million and RMB0.4 million respectively.

Income tax expense

The income tax expenses increased to approximately RMB7.4 million for the six months ended 30 June 2020 as compared to the income tax expenses of approximately RMB1.2 million for the six months ended 30 June 2019. The decrease in income tax expenses was mainly due to (i) the increase in profit before tax for the Period; and (ii) no further release of income tax provision for the Period as compared with the approximately RMB3.3 million release of income tax provision for the six months ended 2019. For further details of the above-mentioned income tax release, please refer to Financial Information section of the Company's prospectus dated 28 November 2017.

Profit for the period and net profit margin

As a result of foregoing, the net profit increased by approximately 46.9% to approximately RMB26.0 million for the six months ended 30 June 2020 from approximately RMB17.7 million for the six months ended 30 June 2019 and the net profit margin decreased to 7.6% for the six months ended 30 June 2020 from 7.9% for the six months ended 30 June 2019.

Trade receivables

The trade receivables increased by approximately 85.5% to approximately RMB185.9 million for the six months ended 30 June 2020 from approximately RMB100.2 million for the year ended 31 December 2019, which primarily kept in line with the increased revenue. The trade receivables turnover (average trade receivables divided by revenues multiplied by 182 days) kept stable at 76.6 days for the Period as compared to 76.7 days for the six months ended 30 June 2019.

Prepayments and other receivables

The prepayment and other receivables increased by approximately 142.8% to approximately RMB117.5 million for the six months ended 30 June 2020 from approximately RMB48.4 million for the year ended 31 December 2019. The increase was primarily due to the increase in deposits paid for tendering, prepayment to suppliers and payments on behalf of residents with the business expansion.

Trade payables

The trade payables increased by approximately 13.5% to approximately RMB85.0 million for the six months ended 30 June 2020 as compared with approximately RMB74.9 million for the year ended 31 December 2019. The trade payables turnover (average trade payables divided by cost of services provided by 182 days) kept stable at 51.8 days for the Period as compared to 52.0 days for the six months ended 30 June 2019.

Other payables and accruals

The other payables and accruals increased by approximately 75.8% to RMB132.9 million for the six months ended 30 June 2020 as compared with RMB75.6 million for the year ended 31 December 2019. The increase was mainly due to (i) the Group's enlarged business scale with the acquisition of Hong Xin; and (ii) the RMB31.8 million profit guarantee retention money received from Ms. Wang Hui (王慧), one of the existing shareholders in Hong Xin. Please refer to the Company's announcement dated 9 September 2019 for further details of the retention.

Cash Flow

For the six months ended 30 June 2020, the net cash used in operating activities was approximately RMB2.0 million. The net cash used in investing activities for the Period was approximately RMB23.5 million, which was primarily due to the payment for acquisition of Hong Xin, Shanghai Xin Shi Bei, Bengbu Zhi Xin and Nanjing Songzhu. The net cash from financing activities for the Period was approximately RMB42.3 million. This was primarily due to the net increase in bank loans and other borrowings.

PLEDGE OF ASSETS

Other than certain property, plant and equipment with carrying amount of approximately RMB5,140,000 as at 30 June 2020 (31 December 2019: Nil) pledged to financing institutions, the Group had also pledged and factored certain of its trade receivables with net carrying amount of approximately RMB7,239,000 (31 December 2019: Nil) to secure the Group's borrowings as at 30 June 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB161.0 million. Cash and cash equivalents increased by approximately RMB17.4 million as compared with the beginning of 2020. The total interest-bearing bank loans and other borrowings increased to RMB135.6 million as at 30 June 2020 from RMB61.5 million as at 31 December 2019. The gearing ratio (total debts divided by total equity) as at 30 June 2020 was 39.7% (31 December 2019: 25.7%). The current ratio (total current assets divided by total current liabilities) as at 30 June 2020 was 1.3 (31 December 2019: 1.4).

Financial management and policy

The management has designed and implemented a risk management policy to address various potential risks identified in relation to the operation of the businesses, including financial, operational and the interest risks from the property management agreements. The risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks.

The Board is responsible for overseeing the overall risk management system and assessing and updating the same, if necessary. The risk management policy is reviewed on a quarterly basis. The risk management policy also sets forth the reporting hierarchy of risks identified in the operations.

Contingent Liabilities

As at 30 June 2020, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

DIVIDENDS

The Board has resolved to pay an interim dividend of HK\$1.0 cent per Share for the six months ended 30 June 2020 (the “2020 Interim Dividend”) with a sum of approximately HK\$4.1 million (equivalent to approximately RMB3.6 million). The 2020 Interim Dividend will be distributed on or about Monday, 12 October 2020 to Shareholders whose names appear on the register of members of the Company on Thursday, 17 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 September 2020 to Thursday, 17 September 2020, both days inclusive, during which period no transfer of Shares will be registered for ascertaining Shareholders’ entitlement to the 2020 Interim Dividend. In order to qualify for the 2020 Interim Dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 September 2020.

OTHER INFORMATION

Corporate Governance And Other Information

The Board is committed to maintaining and upholding high standards of corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the Shareholders.

The Company has adopted the code provisions set out in the CG Code contained in Appendix 14 the Listing Rules.

In the opinion of the Directors, the Company adopted and complied with all the code provisions of the CG Code throughout the six months ended 30 June 2020.

Audit Committee And Review Of Interim Results

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rule and the CG Code. The audit committee consists of three members, namely Mr. Shu Wa Tung Laurence, Mr. Cheng Dong and Mr. Weng Guoqiang, all being independent non-executive Directors. Mr. Shu Wa Tung Laurence is the chairman of the audit committee and is the independent non-executive Director with the appropriate professional qualifications. The unaudited consolidated interim results of the Group for the six months ended 30 June 2020 and this report have been reviewed by the audit committee of the Board. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited consolidated interim results of the Group for the six months ended 30 June 2020.

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2020.

Purchase, Sale Or Redemption Of The Company's Listed Securities

During the six months ended 30 June 2020, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities.

Use Of Net Proceeds

Net proceeds from the Listing (including the exercise of the over-allotment options on 5 January 2018), after deducting the underwriting commission and other estimated expenses in connection with the global offering which the Company received amounted to approximately HK\$125.5 million (equivalent to approximately RMB104.9 million), comprising HK\$117.9 million (equivalent to approximately RMB98.6 million) raised from the global offering and HK\$7.6 million (equivalent to approximately RMB6.3 million) from the issue of shares pursuant to the exercise of the over-allotment options, respectively.

As at 30 June 2020, the net proceeds from the Listing were utilised as follows:

Use of proceeds	Planned Use of Proceeds <i>HK\$ million</i>	Proceeds Used <i>HK\$ million</i>	Balances <i>HK\$ million</i>
Horizontal expansion by acquisition, investment or forming business alliance with property management companies in the markets	42.7	42.7	—
Vertical expansion of both industry chain and supply chain in the property management industry	29.8	29.8	—
The development of information technology system	19.8	19.8	—
Recruitment of talent and implementation of training and recruitment programs	16.3	16.3	—
Repayment of bank borrowings	5.0	5.0	—
General working capital	11.9	11.9	—
	<u>125.5</u>	<u>125.5</u>	<u>—</u>

As at 30 June 2020, the net proceeds from the listing has been fully utilized and there was no changes to the Group's plan of use of proceeds as stated in the prospectus of the Company dated 28 November 2017.

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

The interim results announcement for the six months ended 30 June 2020 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.riverinepm.com). The interim report of the Company for the six months ended 30 June 2020 will be despatched to shareholders of the Company and published on the above websites in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. The English translation of company names in Chinese or another language which are marked with “*” for identification purposes only.

“Audit Committee”	the audit committee of the Company
“Anhui Pu Bang”	Anhui Pu Bang Property Management Company Limited* (安徽浦邦物業管理有限公司), a limited liability company established in the PRC on 4 August 2015, the associated company of the Company and indirectly owned as to 49% by the Company and 51% by an independent third party
“Bengbu Zhi Xin”	Bengbu Zhi Xin Property Company Limited* (蚌埠市置信物業有限公司), a limited liability company established in the PRC on 13 September 2004 and a non wholly-owned subsidiary of the Company and indirectly owned as to 58% by the Company and 42% by two Independent Third Parties
“Board” or “Board of Directors”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
“Company”	Riverine China Holdings Limited (浦江中國控股有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on 27 July 2016
“Connected Person”	has the meaning ascribed to it under the Listing Rules

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of the Company, means a group of controlling shareholders of the Company, namely Partner Summit, Vital Kingdom, Mr. Xiao, Source Forth, Mr. Fu, Pine Fortune and Mr. Chen
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
"Hefei Zheng Wen"	Hefei Zheng Wen Bund Property Management Company Limited* (合肥市政文外灘物業管理有限公司), a limited liability company established in the PRC on 14 April 2004, a joint venture company of the Company and indirectly owned as to 50% by the Company and 50% by an Independent Third Party
“HK\$” or “HK dollars” or “HK cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
"Hong Xin"	Hong Xin Environmental Group Co., Ltd. (泓欣環境集團有限公司), a limited liability company established in the PRC on 5 July 2000, a non wholly-owned subsidiary of the Company and is indirectly owned as to 51% by the Company and as to 49% by independent third parties
“Independent Third Party(ies)”	an individual or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates (within the meaning of the Listing Rules) and not otherwise a Connected Person of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Chen”	Mr. Chen Yao (陳瑤), one of the Controlling Shareholders
“Mr. Fu”	Mr. Fu Qichang (傅其昌), one of the Controlling Shareholders, vice-chairman of the Board and an executive Director
“Mr. Xiao”	Mr. Xiao Xingtao (肖興濤), one of the Controlling Shareholders, chairman of the Board and an executive Director
“Mr. Xiao YQ”	Mr. Xiao Yuqiao (肖予喬), an executive Director, chief executive officer, and the son of Mr. Xiao
“Nanjing Songzhu”	Nanjing Songzhu Property Management Company Limited* (南京松竹物業管理有限公司), a limited liability company established in the PRC on 05 July 2012, an associated company of the Company and indirectly owned as to 49% by the Company and 51% by an independent third party
“Ningbo Plaza”	Ningbo Plaza Property Management Company Limited* (寧波市城市廣場物業管理有限公司), a limited liability company established in the PRC on 20 January 1995, an associate of the Company and indirectly owned as to 49% by the Company and 51% by an Independent Third Party
“Partner Summit”	Partner Summit Holdings Limited (合高控股有限公司), a company incorporated under laws of the BVI on 16 June 2016 with limited liability, which is owned as to 87% by Vital Kingdom, 10% by Source Forth and 3% by Pine Fortune and is one of the Controlling Shareholders
“Period”	the six month ended 30 June 2020

“Pine Fortune”	Pine Fortune Global Limited (富柏環球有限公司), a company incorporated under laws of the BVI on 16 June 2016 with limited liability, which is wholly-owned by Mr. Chen and is one of the Controlling Shareholders
“PRC” or “China”	the People’s Republic of China which, for the purposes of this report, excludes Hong Kong, Macau and Taiwan
“Pujiang Property”	Shanghai Pujiang Property Company Limited* (上海浦江物業有限公司), a limited liability company established in the PRC on 2 December 2002 and an indirect wholly-owned subsidiary of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Bund Ke Pu”	Shanghai Bund Ke Pu Engineering Management Company Limited* (上海外灘科浦工程有限公司), a limited liability company established in the PRC on 30 November 2004 and a non wholly-owned subsidiary of the Company and indirectly owned as to 97% by the Company and as to 3% by an Independent Third Party
“Shanghai Jie Gu”	Shanghai Jie Gu Technology Company Limited* (上海介谷科技有限公司), a limited liability company established in the PRC on 3 May 2016 and an indirect wholly-owned subsidiary of the Company
“Shanghai Qiang Sheng”	Shanghai Qiang Sheng Property Company Limited* (上海強生物業有限公司), a limited liability company established in the PRC on 17 December 1992, an associate of the Company and indirectly owned as to 30% by the Company and as to 70% by an Independent Third Party
"Shanghai Xin Shi Bei"	Shanghai Xin Shi Bei Enterprise Management Service Co., Ltd* (上海新市北企業管理有限公司), a limited liability company established in the PRC on 6 July 2005, an associated company of the Company and indirectly owned as to 27.5% by the Company and 52.75% and 19.75% by two Independent Third Parties

“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 15 November 2017
“Shareholder(s)”	holder(s) of issued Share(s)
“Source Forth”	Source Forth Limited (泉啟有限公司), a company incorporated under laws of the BVI on 8 June 2016 with limited liability, which is wholly-owned by Mr. Fu and is one of the Controlling Shareholders
“sq. ft.”	square feet
“sq. m.”	square metre
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vital Kingdom”	Vital Kingdom Investments Limited (至御投資有限公司), a company incorporated under laws of the BVI on 17 May 2016 with limited liability, which is wholly-owned by Mr. Xiao and is one of the Controlling Shareholders
“%” or “per cent”	per centum or percentage

By order of the Board
Riverine China Holdings Limited
Xiao Xingtao
Chairman

Shanghai, PRC, 28 August 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xiao Xingtao (Chairman), Mr. Fu Qichang, Mr. Xiao Yuqiao and Mr. Jia Shaojun; one non-executive director, namely Mr. Zhang Yongjun; and three independent non-executive Directors, namely Mr. Cheng Dong, Mr. Weng Guoqiang and Mr. Shu Wa Tung Laurence.