Tomson Group

RIVERA (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 281)

INSIDE INFORMATION
DECISION OF THE STOCK EXCHANGE ON RULE 13.24

This announcement is made by Rivera (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Decision of the Stock Exchange on Rule 13.24 of the Listing Rules

The Company received a letter dated 18 January 2021 from the Stock Exchange notifying the Company of its decision that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares (the "**Decision**"). In arriving the Decision, the Stock Exchange has considered the following:

1. The Company is principally engaged in (a) sales and leasing of properties (the "**Property Segment**") and (b) dealings in financial assets, equity investments and available-for-sale investments (the "**Securities Trading**").

<u>Securities Trading</u>

2. The Company is engaged in Securities Trading. However, under Rule 13.24(2) of the Listing Rules, the Securities Trading is excluded from the Rule 13.24 assessment.

<u>Property Segment</u>

3. The Property Segment is the Company's principal business. This business has had minimal operations for years and is operated by only four employees. The Company has not undertaken any new property projects for more than 14 years. The Company holds a parcel of land in Macau, which has been left vacant since 2000. The Company does not have any development plan for this land.

4. In the past six years, the Company had generated minimal recurring income of around HK$1 million per annum from lease of the carpark spaces in Shanghai. The Company generated non-recurring revenue of HK$25.5 million and HK$33.4 million in 2014 and 2018, respectively from sales of the properties in Macau. The Company disposed of such properties in 2018, and it currently does not hold any other property for sale other than the carpark spaces in Shanghai. The level of operations of this business is very low.

5. In responses to the Stock Exchange's enquires, the Company submitted an expansion plan to the Stock Exchange on 30 November 2020 (the "**Expansion Plan**"). The Expansion Plan mentioned an intended expansion of the Company's current business of leasing Shanghai carpark spaces to commercial properties in markets in Hong Kong, the mainland of the Peoples' Republic of China (the "**PRC**") and the United Kingdom (the "**UK**"). However, the Stock Exchange considered the Expansion Plan lacks credibility. The Expansion Plan appears unrelated and bears little, if any, resemblance to the nature and scale of the Company's existing business of leasing of the carpark spaces in Shanghai. The Expansion Plan is preliminary, unsubstantiated and unsupported by details:

   (i) The Company did not explain any detailed considerations given, or any feasibility studies done, on expanding its property segment to markets beyond its current coverage (i.e. the carpark spaces in Shanghai) and how that expansion may impact the Company's business and its finances.

   (ii) There is no evidence to support an assertion that the Company can carry out the Expansion Plan according to its expected timeline and to achieve the profit forecast submitted. It appears that the Expansion Plan is, at best, a mere intention of the Company, rather than a credible and substantiated business plan, in light of:

      (a) The Expansion Plan is not supported by any agreement. In particular, the Company has failed to sign anything since the issue of the guidance letter by the Stock Exchange in August 2019. It remains uncertain whether and how the Expansion Plan can be executed.

      (b) According to the Expansion Plan, the Company would use HK$200 million to acquire commercial properties in Hong Kong by 31 December 2020. It is already January 2021 and the Company has failed to meet this first target.

      (c) The Group only has four employees based in Hong Kong, Macau and Shanghai, and the Company did not substantiate how the background and the experience of these four employees relate to its intended expanded markets. The employees do not appear to have any experience of handling acquisitions of commercial properties in the PRC and UK markets. It is unclear whether and how the Company has sufficient manpower or resources to execute any part of the Expansion Plan.

<u>Profit forecast</u>

6. The Company has submitted a profit forecast based on the expected timeline of the Expansion Plan. However, the Stock Exchange considered that the profit forecast is not prepared on the basis of substantiated evidence in light of:

(i) the concerns of the Stock Exchange set out in paragraph 5 above; and

(ii) that the Company has not provided any information to substantiate the reasonableness of the expected yield generated from leasing the properties located in Hong Kong, Shanghai (Pudong New Area) and the UK (Central London) at 2.9%, 5.7% and 3.8%, respectively.

7. Even if the forecasted revenue can be met, the Stock Exchange noted that the profit generated from the Property Segment would not be sufficient to cover the Group's expected corporate expenses, based on the profit forecast. For the year ending 31 December 2021, the gross profit of the Property Segment is forecasted to be HK$6.1 million which would not be sufficient to cover the forecasted selling and administrative expenses of HK$12.8 million. It does not appear that the Property Segment is viable or sustainable.

Impact of COVID-19

8. The Company submitted the progress of the Expansion Plan has been temporarily and severely hindered by the outbreak of the COVID-19. However, the Stock Exchange considered that the Company has failed to establish its failure to execute the Expansion Plan was caused by disruptions arisen directly from the COVID-19 outbreak:

(i) The Expansion Plan lacks creditability – leaving aside COVID-19 the Expansion Plan remains preliminary, not credible and not supported by details.

(ii) The Company did not provide any factual basis for its alleged impact of COVID-19 on transaction assessment and evaluation progress of the Expansion Plan. It also has not established that, but for COVID-19, it would have been able to complete any of the acquisition proposals.

(iii) The Company said it was in advance negotiation for two possible acquisitions but they fell through due to reasons other than the outbreak of COVID-19 i.e. (a) that a vendor received a higher offer from another party; and (b) the possible internal restructuring of the vendor. Property transactions do occur in the market during the COVID-19 outbreak and the Company has not provided a basis to support its assertion that COVID-19 had, in fact, hindered its execution of any part of the Expansion Plan.

Review under Rule 2B.06(1) of the Listing Rules

Pursuant to Rule 2B.06(1) of the Listing Rules, the Company has the right to refer the Decision to the Listing Committee (as defined in the Listing Rules) for review. In view of the Privatisation Proposal (as defined below), the Company has decided not to make a request for the Decision to be referred to the Listing Committee for review.

Privatisation Proposal and delay in trading suspension under Rule 6.01(3) of the Listing Rules

Reference is made to the announcement jointly issued by Step Famous Investment Limited (the "**Offeror**") and the Company dated 18 January 2021 (the "**Joint Announcement**") in relation to the proposal to privatise the Company by the Offeror by way of a scheme of arrangement pursuant to Section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Privatisation Proposal**"). In light of the Privatisation Proposal, the Stock Exchange considers it appropriate to delay the trading suspension requirement of Rule 6.01(3) of the Listing Rules such that the trading of the shares of the Company may continue whilst the Privatisation Proposal is underway. For details of the Privatisation Proposal, please refer to the Joint Announcement.

If the Privatisation Proposal does not materialise for whatever reasons, the Stock Exchange will consider an immediate application of the trading suspension requirement of Rule 6.01(3) of the Listing Rules.

Should there be any material development of this matter, further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules. Shareholders and potential investors of the Company who have any queries about the implications of the Decision are advised to seek professional advice as they may consider appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board of
RIVERA (HOLDINGS) LIMITED
Lee Yuen Han
Company Secretary

Hong Kong, 18 January 2021

As at the date of this announcement, there are nine members of the board of directors of the Company comprising a non-executive chairman who is Madam Liu Ying; four executive directors who are Madam Hsu Feng, Mr Albert Tong, Mr Tong Chi Kar Charles and Mr Zhao Haisheng; one non-executive director who is Mr Sung Tze-Chun; and three independent non-executive directors who are Mr Zhang Hong Bin, Mr Tsang Kam Chuen and Mr Ng Chi Him.