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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)

INSIDE INFORMATION

POTENTIAL DISCLOSEABLE TRANSACTION RELATING TO POTENTIAL DISPOSAL OF 27.5% OF THE EQUITY INTERESTS IN THE TARGET COMPANY

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

THE POTENTIAL DISPOSAL

The Board announces that the Vendor and Shareholder A as the vendors, Shareholder B and the Target Company intend to enter into the SPA with the Purchaser, pursuant to which the Vendor and Shareholder A conditionally agree to sell and the Purchaser conditionally agrees to purchase an aggregate of 45% equity interests in the Target Company upon and subject to the terms and conditions of the SPA, whereby, among others, the Vendor will sell the Sale Equity to the Purchaser for a Consideration of RMB40,755,000, which is determined pro-rata to the Sale Equity to be transferred by the Vendor to the Purchaser and the total consideration payable by the Purchaser to the Vendor and Shareholder A. As at the date of this announcement, the Company indirectly owns 27.5% of the equity interests in the Target Company, and the Target Company is an associated company of the Company.

Following completion of the Potential Disposal, the Company will cease to hold any interests in the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Potential Disposal exceed 5% but are all less than 25%, the Potential Disposal, if materialises, will constitute a discloseable transaction of the Company and will be subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

GENERAL

As the Potential Disposal may or may not materialise and Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the SPA and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE POTENTIAL DISPOSAL

The Board announces that the Vendor, being an indirect wholly-owned subsidiary of the Company, Shareholder A, Shareholder B, the Purchaser and the Target Company intend to enter into the SPA, pursuant to which the Vendor and Shareholder A conditionally agree to sell and the Purchaser conditionally agrees to purchase an aggregate of 45% equity interests in the Target Company for a total cash consideration of RMB66,690,000 upon and subject to the terms and conditions of the SPA, whereby, among others, the Vendor will transfer the Sale Equity for a Consideration of RMB40,755,000, which is determined pro-rata to the Sale Equity to be transferred by the Vendor to the Purchaser and the total consideration payable by the Purchaser. As at the date of this announcement, the Company indirectly owns 27.5% of the equity interests in the Target Company, and the Target Company is an associated company of the Company.

THE PRINCIPAL TERMS OF THE SPA

The principal terms of the SPA are as follows:

Parties:

- (i) The Purchaser
- (ii) The Vendor

- (iii) Shareholder A
- (iv) Shareholder B
- (v) The Target Company

As at the date of this announcement, the Target Company is owed as to 52.75%, 27.5% and 19.75% by Shareholder A, the Vendor and Shareholder B, respectively. If the Potential Disposal materialises, upon Completion, the Company will cease to have any interests in the Target Company and the Target Company will be owned as to 45%, 35.25% and 19.75% by the Purchaser, Shareholder A and Shareholder B respectively.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Assets to be Disposed

Upon and subject to the terms of the SPA, the Vendor agrees to sell and the Purchaser agrees to purchase the Sale Equity.

Consideration and Payment Terms

The Consideration for the Potential Disposal is RMB40,755,000, which is payable by the Purchaser to the Vendor in cash.

The Consideration will be paid by the Purchaser in the following manner:

- (a) upon satisfaction of all of the Conditions Precedent (or as waived by the Purchaser), RMB20,377,500, representing 50% of the Consideration, will be paid by the Purchaser to the Vendor within seven Business Days after receiving notice from the Vendor that the Conditions Precedent have been fulfilled or waived;
- (b) within three Business Days after the Completion Date, RMB10,188,750, representing 25% of the Consideration will be paid by the Purchaser to the Vendor. The Target Company will then complete the registration of the transfer of 45% equity interests (including the Sale Equity) in the Target Company from the Vendor and Shareholder A to the Purchaser with the local Administration of Industry and Commerce (“AIC”) within 30 days upon payment of the 1st instalment payment to the Vendor and Shareholders A; and
- (c) within 60 days after the Completion Date, RMB10,188,750, representing the remaining 25% of the Consideration, will be paid by the Purchaser to the Vendor.

Payment of the Consideration will be effected by the Purchaser in immediately available fund by way of bank transfer on the relevant payment dates.

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendor after taking into account, among others, (i) the financial performance of the Target Company for the year ended 31 December 2020; (ii) the business and trading prospects of the Target Company; and (iii) the valuation of the Target Company as at 31 December 2020 prepared by a professional valuer appointed by the Purchaser and agreed by the Vendor and Shareholder A, based on income approach in the amount of approximately RMB161,000,000, deducted by the retained earnings to be attributed to the Vendor, Shareholder A and Shareholder B in the sum of approximately RMB11,800,000.

Conditions Precedent to the Potential Disposal

If the Potential Disposal materialises, Completion of the SPA is conditional upon the following conditions:

- (i) **Signing of documents.** Signing of the SPA and necessary transaction documents (including documents for registration with the local AIC) to the satisfaction of all parties in form and in content.
- (ii) **External approval and authorization.** All parties having obtained all permits, consents, approvals and authorization from all necessary third parties, regulatory authorities and/or other government authorities, including but not limited to all necessary approvals to be obtained by the Vendor pursuant to the Listing Rules, necessary approvals to be obtained by the Purchaser under relevant laws and regulations in connection with transfer of the Sale Equity and Shareholder A's 17.5% interests in the Target Company and all necessary approvals required by the Target Company pursuant to its Articles.
- (iii) **Internal approval and authorization.** Each party to the SPA has obtained internal approval for signing the SPA.
- (iv) **Representation and warranties.** All information provided by, as well as the representations and warranties given by the Vendor and Shareholder A to the Purchaser under the SPA remain true, complete, accurate and not misleading in all material respects as at Completion Date.
- (v) **No Material Adverse Effect.** Up to the Completion Date, there is no material change to the Target Company's business, operations, assets, liabilities, taxation nor other financial conditions and there is no occurrence or in reasonably foreseeable future of any event, fact, condition, change or other circumstances that may cause material adverse change to the Target Company or its shareholding or any Material Adverse Effect.

- (vi) **No material order, litigation or prohibition.** Up to the Completion Date, there is no law, regulation or any order, decision, judgement or adjudication by any court or relevant government authorities that may prohibit, restrict or rescind the transfer of the SPA, nor any significant pending or potential litigation, arbitration, decision, judgment, adjudication or order that may cause an adverse impact on the Vendor, Shareholder A or the Target Company's investment.

Completion

If the Potential Disposal materialises, Completion will take place upon completion of registration of the transfer of the Sale Equity and Shareholder A's 17.5% interests in the Target Company to the Purchaser at the local AIC.

INFORMATION OF THE PURCHASER

The Purchaser is a company listed on the main board of the Shanghai Stock Exchange (stock code: 600604) and is principally engaged in the property development and operation of office buildings, integrated enterprises' services and industrial investments with industrial zones as the carrier in the PRC.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC on 6 July 2005 with limited liability. The Target Company is principally engaged in the provision of property management services for office buildings, complexes and public facilities within high-tech industrial zones in Shanghai and Jiangsu province.

The Company acquired 27.5% of the equity interest in the Target Company in July 2019. For details, please refer to the announcement of the Company dated 22 July 2019.

INFORMATION OF THE VENDOR

The Vendor is a limited liability company established in the PRC on 2 December 2002 and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of provision of property management service for high-end non-residential properties.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the audited consolidated financial information of the Target Company:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
Revenue	302,909	284,078
Profits before taxation	24,038	16,624
Profits after taxation attributable to the owners of the parent	14,717	8,236
	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Total Assets	131,079	131,377
Net Assets	31,586	23,010

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL

The Group is principally engaged in the provision of property management services for high-end non-residential properties and integrated urban sanitary services in the PRC. The Target Company is principally engaged in the provision of property management services for office buildings, complexes and public facilities within high-tech industrial zones in Shanghai and Jiangsu province and industrial zones in the PRC are its main market. The total investment made by the Company in July 2019 to acquire the Sale Equity was RMB27,500,000, while the Purchaser offers to acquire the Sale Equity from the Vendor at a Consideration of RMB40,755,000. Therefore the profit to be made by the Company from the Potential Disposal will amount to approximately RMB13,255,000, which represents a rate of return of approximately 22.8% on a year to year basis.

In addition, the Target Company is only an associated company of the Company, which contributed to approximately 9% of the net profit of the Group for the year ended 31 December 2020. The Potential Disposal will not have a material impact on the financial position of the Group.

As a result, the Directors (including the independent non-executive Directors) consider that the terms of the SPA are on normal commercial terms and are fair and reasonable and the Potential Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE POTENTIAL DISPOSAL AND USE OF PROCEEDS

If the Potential Disposal materialises, upon Completion, the Company expects that there will be a gain on the Potential Disposal of approximately RMB9,662,000, which is estimated based on the Consideration and the Company's book value of the investment on the Target Company as at 31 December 2020, which is approximately RMB31,093,000.

Shareholders of the Company should note that the above figures are for illustrative purpose only. The actual accounting gain or loss in connection with the Potential Disposal may be different from the above and will be determined based on the financial position of the Target Company on the date of Completion.

Following the Completion of the Potential Disposal, the Company will no longer hold any interest in the Target Company. The Target Company will cease to be an associated company of the Company.

The Directors intend to apply the net proceeds from the Potential Disposal as general working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Potential Disposal exceed 5% but are all less than 25%, the Potential Disposal, if materialises, will constitute a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

None of the Directors is considered to have a material interest in the Potential Disposal and therefore none of the Directors will be required to abstain from voting on the Board resolutions approving the SPA and the transactions contemplated thereunder.

DEFINITIONS

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

“Articles”	the articles (章程) of the Target Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, bank holiday or public holiday) on which banks in the PRC are open for business
“Company”	Riverine China Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	completion of registration of the transfer of the Sale Equity and Shareholder A’s 17.5% interests in the Target Company from the Vendor and Shareholder A to the Purchaser at the local Administration of Industry and Commerce
“Completion Date”	the date of Completion
“Conditions Precedent”	the conditions precedent to Completion as set out in the paragraph headed “Conditions Precedent to the Potential Disposal” in this announcement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	RMB40,755,000, being the cash consideration of the Potential Disposal payable by the Purchaser to the Vendor upon and subject to the terms of the SPA
“Director(s)”	the director(s) of the Company
“Independent Third Party(ies)”	an individual(s) 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 and not otherwise a connected person of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Effect”	any fact, event or development that (i) has or may have adverse effect on the business, assets, liabilities (including contingent liabilities), performance or financial conditions of the Target Company such that the Target Company suffers a loss in asset that amounts to more than 10% of the net asset of the Target Company in the immediately preceding financial year when such relevant event or development occurs (for the avoidance of doubt, the loss in net asset does not include the reduction of net asset due to profit distribution), or results in reduction of the actual net profit of the Target Company in the relevant financial year when such event or development occurs and the reduction of net profit amounts to more than 10% of the expected net profit of the Target Company as expected by the parties to the SPA, or (ii) results in any director of the Target Company (except for the representative nominated by the Purchaser) loses his capacity to carry out his duties for more than three months
“Potential Disposal”	the potential disposal of the Sale Equity as contemplated under the SPA
“PRC”	the People’s Republic of China
“Purchaser”	Shanghai Shibe Hi-tech Company Limited (上海市北高新股份有限公司), a company listed on the main board of the Shanghai Stock Exchange (stock code: 600604) and is principally engaged in property development and operation, integrated enterprises’ services and industrial investments with industrial zones as the carrier in the PRC. It is a major customer of the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	27.5% equity interest in the Target Company held by the Vendor
“Shareholders”	the shareholders of the Company

“Shareholder A”	an existing controlling shareholder of the Target Company holding 52.75% interests in the Target Company and its interests in the Target Company will be reduced to 35.25% upon Completion, and is an Independent Third Party
“Shareholder B”	an existing shareholder of the Target Company holding 19.75% interests in the Target Company, and is an Independent Third Party
“SPA”	the conditional sale and purchase agreement intended to be entered into amongst the Purchaser, the Vendor, Shareholder A, Shareholder B and the Target Company in relation to the Potential Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Xin Shi Bei Enterprise Management Service Company Limited* (上海新市北企業管理服務有限公司), a limited liability company established in the PRC on 6 July 2005, an associated company of the Company and is indirectly owned as to 27.5% by the Vendor and as to 52.75% and 19.75% by Shareholder A and Shareholder B, respectively
“Vendor”	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
“%”	per cent.

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

Hong Kong, 15 June 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Xiao Xingtao (Chairman), Mr. Fu Qichang, Mr. Xiao Yuqiao, Mr. Jia Shaojun and Ms. Wang Hui; 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.

* *The English translation is a transliteration of the Chinese name and included herein for identification purpose only.*