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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)

DISCLOSABLE TRANSACTION

ACQUISITION OF FURTHER 18.53% THE EQUITY INTERESTS IN SHANGHAI QIANG SHENG AND THE DISPOSAL OF THE ENTIRE INTERESTS IN SHANGHAI BUND TO SHANGHAI QIANG SHENG

THE ACQUISITION AND THE DISPOSAL

The Board is pleased to announce that on 8 May 2023 (after trading hours), Pujiang Property, an indirect wholly-owned subsidiary of the Company, Party A and Shanghai Qiang Sheng entered into the Agreement, pursuant to which Pujiang Property will transfer the Sale Equity Interests to Shanghai Qiang Sheng at the Consideration and in consideration of which, Pujiang Property's equity interests in Shanghai Qiang Sheng will be increased from 30% to 48.53%.

Following completion of the Acquisition and Disposal, (i) Shanghai Bund will cease to be an indirect wholly-owned subsidiary of the Company and will become an indirect associated company of the Company and is expected to be accounted for as investments of the Company; and (ii) Shanghai Qiang Sheng will remain an indirect associated company of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Acquisition and Disposal exceed 5% but are all less than 25%, the Acquisition and the Disposal constitute disclosable transactions for the Company under the Listing Rules and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

GENERAL

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

INTRODUCTION

The Board is pleased to announce that on 8 May 2023 (after trading hours), Pujiang Property, an indirect wholly-owned subsidiary of the Company and Party A entered into the Agreement, pursuant to which Pujiang Property has conditionally agreed to transfer its entire interests in Shanghai Bund to Party A at the Consideration and in consideration of which, Party A has conditionally agreed to increase Pujiang Property's interests in Shanghai Qiang Sheng from 30% to 48.53%. The Acquisition and Disposal are subject to the terms and conditions of the Agreement.

THE PRINCIPAL TERMS OF THE AGREEMENT

Summarised below are the principal terms of the Agreement:

Date: 8 May 2023 (after trading hours)

- Parties:
- (i) Party A: Shanghai Qiang Sheng Group Company Limited* (上海強生集團有限公司), an Independent Third Party
 - (ii) Party B: Shanghai Pujiang Property Company Limited* (上海浦江物業有限公司), an indirect wholly-owned subsidiary of the Company
 - (iii) Party C: Shanghai Qiang Sheng Property Company Limited* (上海強生物業有限公司)

As at the date of this announcement, Shanghai Qiang Sheng is owned to 70% by Party A and 30% by Pujiang Property respectively and Shanghai Bund is wholly-owned by Pujiang Property. Upon Completion, Shanghai Bund will be wholly-owned by Shanghai Qiang Sheng and Shanghai Qiang Sheng will be owned as to 48.53% by Pujiang Property and 51.47% by Party A respectively.

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

Nature of the Transactions

Pursuant to the Agreement, Pujiang Property has conditionally agreed to transfer the Sale Equity Interests to Shanghai Qiang Sheng at the Consideration. Out of the Consideration, RMB1,800,000 will be accounted for additional contributions by Pujiang Property to the registered capital of Shanghai Qiang Sheng and RMB30,096,000 will be accounted for additional contributions by Pujiang Property to the capital reserve of Shanghai Qiang Sheng. In consideration of the Disposal, Pujiang Property's equity interests in Shanghai Qiang Sheng will be increased from 30% to 48.53%.

Upon completion of the Acquisition and the Disposal, (i) Pujiang Property will own 48.53% of the equity interests of Shanghai Qiang Sheng; (ii) Shanghai Qiang Sheng will own the entire equity interests of Shanghai Bund; (iii) Shanghai Bund will become an indirect associated company of the Company and is expected to be accounted for as investments to the Company; and (iv) Shanghai Qiang Sheng will remain an indirect associated company of the Company and will be continued to be accounted for as investments to the Company.

Consideration

The Consideration is RMB31,896,000 and is determined according to the following:

- (a) valuation of Shanghai Bund of RMB32,500,000 performed by the Valuer based on the total value of equity interest of Shanghai Bund as at 30 June 2022, which is adjusted to RMB31,896,000 after submission for approval under the regulations on the administration of state-owned assets ("**Equity Value of Shanghai Bund**"), applying income approach;
- (b) valuation of Shanghai Qiang Sheng of RMB88,600,000 performed by the Valuer based on the total value of equity interest of Shanghai Qiang Sheng as at 30 June 2022 ("**Equity Value of Shanghai Qiang Sheng**"), applying income approach; and
- (c) the increased total value of equity interest of Shanghai Qiang Sheng of RMB120,496,000 based on the consolidated Equity Value of Shanghai Bund and the Equity Value of Shanghai Qiang Sheng upon Completion.

Upon Completion, Pujiang Property will hold 48.53% interests in Shanghai Qiang Sheng and its attributable interests in the consolidated Equity Value of Shanghai Qiang Sheng will be RMB58,476,709.

Prior to Completion, based on Pujiang Property's 30% interests in Shanghai Qiang Sheng and the Equity Value of Shanghai Qiang Sheng, Pujiang Property's attributable interests in the Equity Value of Shanghai Qiang Sheng is RMB26,580,000. When combining this value with the Equity Value of Shanghai Bund, which is wholly-owned by Pujiang Property, the total value attributable to Pujiang Property's 30% interests and 100% interests in Shanghai Qiang Sheng and Shanghai Bund respectively is RMB58,476,000.

The Consideration was arrived at after arm's length negotiations between Party A and Pujiang Property on normal commercial terms with reference to the valuation reports on Shanghai Qiang Sheng and Shanghai Bund dated 14 December 2022 prepared by the Valuer, which was jointly appointed by Pujiang Property and Party A.

Conditions precedent to the Acquisition

Completion is subject to and conditional upon the satisfaction in full of the following conditions (collectively, the "**Conditions Precedent**"):

- (1) signing of the Agreement by the Parties;
- (2) making necessary amendments to the articles of association of Shanghai Qiang Sheng and signing by Party A and Pujiang Property;
- (3) the increase of the registered capital of Shanghai Qiang Sheng has obtained necessary approval from the regulatory authorities in the PRC;
- (4) during the Transitional Period, there is no Material Adverse Effect on the operations and financial of Shanghai Bund and there is no payment of dividends;
- (5) during the Transitional Period, there is no transfer of any of the equity interests of Shanghai Bund and no Encumbrance is created on the equity interests of Shanghai Bund;
- (6) during the Transitional Period, there is no Encumbrance created on any of the assets of Shanghai Bund. Shanghai Bund has not disposed of any of its major assets directly or indirectly and has not incurred or undertaken any substantial liabilities (save and except for liabilities incurred in the ordinary course of business);

- (7) during the Transitional Period, without the written consent of the Party A, Shanghai Bund may not:
- (a) employ or terminate the employment of key personnel as set out in an appendix to the Agreement; or
 - (b) increase or undertake to increase the salary, bonus, incentive scheme, compensation, pension or other benefits payable to its employees;
- (8) there is no breach of laws or regulations by Shanghai Bund; and
- (9) during the Transitional Period, Pujiang Property and Shanghai Bund shall satisfy the following conditions and obtain the written confirmation from Party A:
- (a) repay all outstanding loans and terminate all loan agreements;
 - (b) obtain release of all security and/or collateral provided by Shanghai Bund and cancel all credit lines from banks.

COMPLETION

Upon (i) Shanghai Qiang Sheng amends its articles of association and obtains necessary approvals and licences from the regulatory authorities in relation to Shanghai Qiang Sheng's increase of its registered capital and increase of Pujiang Property's equity interests in Shanghai Qiang Sheng from 30% to 48.53%; and (ii) the Parties register the transfer of the Sale Equity Interests and obtain necessary approval and licences from the regulatory authorities showing Shanghai Qiang Sheng holds the entire interests in Shanghai Bund, including obtaining new business licence from the local Industry and Commerce Bureau, the Acquisition and the Disposal shall be completed.

Following the completion of the Acquisition and the Disposal, Pujiang Property will hold 48.53% interests in Shanghai Qiang Sheng and Shanghai Qiang Sheng will in turn hold 100% interests in Shanghai Bund.

COMPOSITION OF BOARD OF DIRECTORS OF SHANGHAI QIANG SHENG UPON COMPLETION

Upon Completion, the board of directors of Shanghai Qiang Sheng shall comprise five (5) directors. Party A shall have the right to nominate two (2) directors, Pujiang Property shall have the right to nominate two (2) directors and the workers' union shall nominate one (1) director.

NOMINATION OF GENERAL MANAGER OF SHANGHAI QIANG SHENG UPON COMPLETION

Upon Completion, Pujiang Property shall have the right to recommend the senior management of the Group to act as the general manager of Shanghai Qiang Sheng, subject to the resolution of the board of directors of Shanghai Qiang Sheng to approve the nomination.

COMPOSITION OF BOARD OF DIRECTORS OF SHANGHAI BUND

Upon Completion, the current members of the board of directors of Shanghai Bund will resign and the new board of directors of Shanghai Qiang Sheng will nominate the new board of directors of Shanghai Bund.

UNDERTAKINGS BY PUJIANG PROPERTY REGARDING ACCOUNTS RECEIVABLES OF SHANGHAI BUND DATED PRIOR TO THE COMPLETION DATE

Under the Agreement, Pujiang Property warrants that for the accounts receivables of Shanghai Bund dated before the Completion Date, Pujiang Property will be responsible for collecting payment from the paying parties for payment. In the event Pujiang Property fails to recover any accounts receivables on behalf of Shanghai Bund by 30 September 2026, Pujiang Property shall enter into assignment with Shanghai Bund to transfer all such uncollected accounts receivables from Shanghai Bund to Pujiang Property and give notice to such paying parties. As at the date of this Agreement, the accounts receivables of Shanghai Bund is approximately RMB21.5 million. According to the audited accounts of Shanghai Bund for the year ended 31 December 2022, the average turnover of accounts receivables of Shanghai Bund is 80 days and the bad debt provision rate of doubtful debt and bad debt is 1% and 2% respectively.

The Parties anticipate that Completion will take place around July 2023 and the Company anticipates that the amount of accounts receivables of Shanghai Bund will be approximately RMB20 million at Completion. According to the track record of Shanghai Bund in the last three years, the average recovery rate of accounts receivables is 97.6%.

RESTRICTIVE COVENANT BY PUJIANG PROPERTY

Pujiang Property covenants that if any of the key personnel of Shanghai Bund as set out in the appendix to the Agreement (i.e. regional heads, project managers and senior staff) ceases to be an employee of Shanghai Bund, for a period of two years after such key personnel cease to be employees of Shanghai Bund, Pujiang Property shall not engage or employ them unless Party A gives written consent to Pujiang Property.

FINANCIAL INFORMATION OF SHANGHAI QIANG SHENG

For the financial years ended 31 December 2021 and 31 December 2022, the audited financial information of Shanghai Qiang Sheng prepared pursuant to the Generally Accepted Accounting Principles of the PRC is as follows:

	For the financial year ended 31 December 2021 (audited) RMB'000	For the financial year ended 31 December 2022 (audited) RMB'000
Turnover	109,531	119,948
Net profit before taxation	7,191	7,175
Net profit after taxation	5,629	5,621
Total assets	95,923	87,282
Net assets value	22,556	56,938

FINANCIAL INFORMATION OF SHANGHAI BUND

For the financial years ended 31 December 2021 and 31 December 2022, the audited financial information of Shanghai Bund prepared pursuant to the Generally Accepted Accounting Principles of the PRC is as follows:

	For the financial year ended 31 December 2021 (audited) RMB'000	For the financial year ended 31 December 2022 (audited) RMB'000
Turnover	80,890	77,923
Net profit before taxation	7,276	2,432
Net profit after taxation	5,402	1,605
Total assets	57,708	40,764
Net assets value	19,610	16,502

INFORMATION ABOUT PARTY A, SHANGHAI QIANG SHENG AND SHANGHAI BUND

Party A is a state-owned enterprise and is an investment holding company. Its holding company Shanghai Jiu Shi (Group) Company Limited* (上海久事(集團)有限公司) (“**Shanghai Jiu Shi**”) has diversified businesses which could be categorized into the following categories:

- (1) urban transportation industry;
- (2) sports industry;
- (3) real estate industry;
- (4) capital management; and
- (5) culture and tourism industry.

Party A’s group of companies also invest in and undertake the construction and operations of major municipal projects in Shanghai, such as city-wide railway that connects the city to the airports, construction projects in relation to the redevelopment and urban planning

of the north Bund area, Pudong football stadium, Xujiahui sports park, etc. Party A's group of companies, a leading state-owned enterprise in Shanghai, play a major role in the government's strategies in developing Shanghai and strengthening the competitiveness of Shanghai by participating in major municipal projects.

Shanghai Qiang Sheng is a limited liability company established in the PRC on 17 December 1992, which is principally engaged in property management of sports arenas and parks, commercial buildings and government properties. Shanghai Qiang Sheng manages many properties owned by its group of companies.

Shanghai Bund is a limited liability company established in the PRC on 8 April 1996, which is principally engaged in property management of a variety of commercial properties and public transportation facilities. Shanghai Bund also manages certain properties owned by Party A's group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group, through its operating subsidiaries and investments in associated companies, provide a wide range of comprehensive urban public services, including property management services with value-added services to a variety of properties in the PRC, sublease services from investment properties and urban sanitary services to various areas.

The properties managed by the Group include public properties, office buildings and hotels, commercial establishments such as shopping malls, commercial and entertainment complexes, government properties and to a lesser extent, residential properties.

Party A and its group of companies as a whole is a Shanghai Municipal leading state-owned enterprise. They own and are responsible for the management and operation of a variety of landmark public properties such as sports arenas, stadiums, theme parks, commercial buildings and public transportation facilities in Shanghai. According to the audited accounts of Shanghai Jiu Shi for the year ended 31 December 2022, the consolidated total assets was approximately RMB682.2 billion. The Transactions can enhance the Group's integration with a leading state-owned enterprise, enable the Group to expand the Group's businesses and increase the Group's market share in property management of government and public properties.

Upon Completion, the Group will nominate its representatives to be the general manager of Shanghai Qiang Sheng and he will be responsible for the daily operation and management of Shanghai Qiang Sheng. The existing key personnel of Shanghai Bund will also remain in their positions upon Completion. Such personnel have solid experience in property management and have improved the standard of informatisation and delicacy of property management services of the Group by means of wide application of internet of things technology, which is developed through continuous self-developed IT system. As a result, the management of Shanghai Qiang Sheng and Shanghai Bund will be integrated as a whole, which may further leverage all parties' advantages and strengthen Shanghai Qiang Sheng and Shanghai Bund's property management services and daily operation.

As a result, the Transactions will create synergy for the Group and enhance the Group's businesses and profitability in the long term, which will optimise the Group's financial performance and contribute to the future development of the Group.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Agreement is made on normal commercial terms and the terms contained therein are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

If the Disposal materialises, upon Completion, the Company expects that there will be a gain before taxation on the Disposal of approximately RMB15,394,000, which is estimated based on the Consideration and Shanghai Bund's net asset value as at 31 December 2022, which is approximately RMB16,502,000.

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 Disposal may be different from the above and will be determined based on the financial position of Shanghai Bund on the Completion Date.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Acquisition and Disposal exceed 5%, but are all less than 25%, the Acquisition and the Disposal constitute disclosable transactions for the Company under the Listing Rules, and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the increase of equity interests of Pujiang Property in Shanghai Qiang Sheng from 30% to 48.53% pursuant to the Agreement
“Agreement”	the Agreement entered into amongst Party A, Pujiang Property and Shanghai Qiang Sheng on 8 May 2023 whereby (i) Pujiang Property will transfer the Sale Equity Interests to Shanghai Qiang Sheng at the Consideration; and (ii) in consideration of which, Pujiang Property’s interests in Shanghai Qiang Sheng will be increased from 30% to 48.53%
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	a day other than any Saturday, Sunday or public holiday in the PRC
“Company”	Riverine China Holdings Limited, a company incorporated under the laws of the Cayman Islands, shares of which are listed on the Stock Exchange (Stock code: 1417)
“Completion”	completion of the Acquisition and the Disposal in accordance with the Agreement and the PRC laws
“Completion Date”	the day on which (i) Shanghai Qiang Sheng completes registration of the increase of registered capital from RMB5,000,000 to RMB6,800,000 and registers Pujiang Property holds RMB3,300,000 of the registered capital, representing approximately 48.53% interests in Shanghai Qiang Sheng; and (ii) the Parties complete the transfer of the Sale Equity Interests to Shanghai Qiang Sheng according to the Agreement and the PRC laws, including obtaining necessary approval from the regulatory authorities, filing necessary registration and obtaining new business licence

“Consideration	RMB31,896,000, which is determined based on (i) the valuation of Shanghai Bund of RMB32,500,000 as at 30 June 2022 valued by the Valuer, which is adjusted to RMB31,896,000 after submission for approval under the regulations on the administration of state-owned assets; and (ii) the valuation of Shanghai Qiang Sheng of RMB88,600,000 as at 30 June 2022 valued by the Valuer
“Disposal”	the transfer of the Sale Equity Interests by Pujiang Property to Shanghai Qiang Sheng pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Encumbrance”	means any option, right to acquire, right of pre-emption, lease, permission, mortgage, charge, pledge, lien, title creation, right of set-off, counterclaim or other security or any equity or restriction (including any relevant restriction imposed under the relevant law) or any third party rights whatsoever
“Group”	collectively, the Company and its subsidiaries
“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 (as amended from time to time)
“material”	any event, act or fact that involves an amount of RMB1,000,000

“Material Adverse Effect”	means any circumstances, changes or effects affecting a company (including its subsidiaries) or its business, whether alone or jointly with other circumstances, changes or effect of the company, which (a) cause or may cause adverse effects on the business or the company's assets, liabilities (including but not limited to contingent liabilities), operating performance or financial conditions involving an amount of RMB1,000,000; or (b) although the amount is less than RMB1,000,000, it has or may have an adverse impact on the company and its current operations or business methodology, scope of business, projects, qualifications, sustainability, etc.
“Party A”	Shanghai Qiang Sheng Group Company Limited* (上海強生集團有限公司), a limited liability company established in the PRC on 7 February 1996, which is an Independent Third Party
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region 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
“Sale Equity Interests”	means 100% of the equity interests of Shanghai Bund
“Shanghai Bund”	Shanghai Bund Property Company Limited* (上海外灘物業有限公司), a limited liability company established in the PRC on 8 April 1996 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 associated company of the Company and indirectly owned as to 30% by the Company and as to 70% by Party A, an Independent Third Party

“Shareholder(s)”	holder(s) of issued share(s) of HK\$1.00 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Acquisition and the Disposal
“Transitional Period”	the period from the date of the Agreement to the Completion Date
“Valuer”	an asset appraisal firm qualified to practice in the PRC and an Independent Third Party which was jointly appointed by Party A and Pujiang Property
“RMB”	Renminbi, the lawful currency of the PRC
“%” or “per cent”	per cent

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

Hong Kong, 8 May 2023

* *for identification purpose*

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 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.