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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 MAJOR TRANSACTION INVESTMENT AGREEMENT

THE INVESTMENT AGREEMENT

Reference is made to the announcement of the Company dated 11 January 2019 in relation to, among others, a proposed acquisition of 51% equity interest in the Target by Shanghai Pujiang.

The Board is pleased to announce that on 7 September 2019, Shanghai Pujiang, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Target and the Existing Shareholders in relation to the Investment.

Upon Completion, Shanghai Pujiang will own 51% equity interest in the Target and the Target will become an indirect non-wholly owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial results of the Group.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) for the Investment exceed 25% but all are less than 100% for the Company, the Investment constitutes a major transaction for the Company and is subject to the announcement, circular, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, (i) as no Shareholder has material interest in the Investment, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Investment; and (ii) the Company has obtained a written Shareholders' approval dated 6 September 2019 from the Controlling Shareholders for the approval of the Investment. Pursuant to Rule 14.44(2) of the Listing Rules, the written Shareholders' approval from the Controlling Shareholders will be accepted in lieu of holding a general meeting of the Shareholders. As a result, no physical extraordinary general meeting will be convened by the Company to approve the Investment.

A circular containing, among other things, further details of the Investment, will be despatched to the Shareholders on or before 30 September 2019 in accordance with the Listing Rules.

GENERAL

As Completion is subject to the fulfilment (or where applicable, waiver) of the Conditions Precedent and therefore the Investment may or may not proceed. As such, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 11 January 2019 in relation to, among others, a proposed acquisition of 51% equity interest in the Target by Shanghai Pujiang.

The Board announces that on 7 September 2019, Shanghai Pujiang, the Target and the Existing Shareholders entered into the Investment Agreement in relation to, among others, the Reorganisation, Equity Interest Transfer and the Capital Injection. Upon Completion, Shanghai Pujiang will own 51% equity interest in the Target.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are summarised as follows:

Date : 7 September 2019

Parties (1) : Shanghai Pujiang as the purchaser and the investor;
(2) : the Target;
(3) : Ms. Wang as one of the Existing Shareholders;
(4) : Mr. Kou as one of the Existing Shareholders;
(5) : Shanghai Honghui as one of the Existing Shareholders and the Vendor;
(6) : Hezhou Hongteng as one of the Existing Shareholders; and
(7) : Hezhou Hongda as one of the Existing Shareholders.

(collectively, the “**Parties**”)

Shanghai Honghui, Hezhou Hongteng and Hezhou Hongda are ultimately and beneficially owned by Ms. Wang and Mr. Kou. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the Existing Shareholders, their respective ultimate beneficial owners and the Target is an Independent Third Party.

(i) Reorganisation

Pursuant to the Investment Agreement, the Parties agreed that the Target and the Existing Shareholders shall complete the Reorganisation before the Equity Interest Transfer and the Capital Injection.

Set out below is the shareholding structure of the registered share capital of Target before and immediately after the Reorganisation:

	Before completion of Reorganisation	After completion of Reorganisation
Registered share capital of the Target	RMB50,050,000	RMB50,050,000

Shareholders of the Target	Approximate equity interest in the registered capital	Approximate equity interest in the registered capital
Ms. Wang	3.5000%	3.5000%
Mr. Kou	1.5000%	1.5000%
Shanghai Honghui	55.7900%	43.9606%
Hezhou Hongteng	30.7300%	30.7300%
Hezhou Hongda	8.4800%	20.3094%
	<u>100.0000%</u>	<u>100.0000%</u>

(ii) Equity Interest Transfer

Pursuant to the Investment Agreement, subject to the completion of the Reorganisation and the fulfilling of the Conditions Precedent Part I, the Vendor agrees to transfer 43.9606% of the equity interest in the Target to Shanghai Pujiang at the consideration of RMB61,800,000 (subject to adjustments) (the “**Transfer Price**”).

Shareholding

Set out below is the shareholding structure of the registered share capital of the Target before and immediately after the Equity Interest Transfer:

	Before completion of Equity Interest Transfer	After completion of Equity Interest Transfer
Registered share capital of the Target	RMB50,050,000	RMB50,050,000
Shareholders of the Target	Approximate equity interest in the registered capital	Approximate equity interest in the registered capital
Shanghai Pujiang	—	43.9606%
Ms. Wang	3.5000%	3.5000%
Mr. Kou	1.5000%	1.5000%
Shanghai Honghui	43.9606%	—
Hezhou Hongteng	30.7300%	30.7300%
Hezhou Hongda	20.3094%	20.3094%
	<u>100.0000%</u>	<u>100.0000%</u>

(iii) Capital Injection

At the same time of the Equity Interest Transfer, pursuant to the Investment Agreement, Shanghai Pujiang agrees to contribute RMB30,000,000 to the capital of the Target (in which RMB7,190,245 will be contributed to the registered share capital of the Target and the remainder to its capital reserve). It is intended that the proceeds from the Capital Injection will be used as general working capital of the Target Group and for the purpose of tendering for environmental maintenance projects of greater scale.

Shareholding

Set out below is the shareholding structure of the registered share capital of the Target before and immediately after the Capital Injection:

	Before completion of Capital Injection	After completion of Capital Injection
Registered share capital of the Target	RMB50,050,000	RMB57,240,245
Shareholders of the Target	Approximate equity interest in the registered capital	Approximate equity interest in the registered capital
Shanghai Pujiang	43.9606%	51.0000%
Ms. Wang	3.5000%	3.0604%
Mr. Kou	1.5000%	1.3116%
Hezhou Hongteng	30.7300%	26.8698%
Hezhou Hongda	20.3094%	17.7582%
	<u>100.0000%</u>	<u>100.0000%</u>

Consideration

The Transfer Price and the Investment Sum were agreed after arm's length negotiation between the parties, which was determined based on (i) the historical financial information of the Target Group; (ii) the future business prospects of the Target Group; (iii) the profit guarantee, in particular, the Guaranteed Net Profit for the financial year ending 31 December 2019 and the compensation mechanism set out below; and (iv) other reasons and benefits of the Investment as stated under the section headed "Reason for and benefits of the Investment" of this announcement.

The Consideration, representing the Transfer Price of RMB61,800,000 (subject to adjustment) and Investment Sum of RMB30,000,000, is payable by Shanghai Pujiang in the following manner:

- (1) within five (5) Business Days upon the satisfaction of the Conditions Precedent Part I, Shanghai Pujiang shall pay the Investment Sum in a sum of RMB30,000,000 (the “**First Instalment Payment**”) to the Target, which includes the transformation of the earnest money and loan already paid by Shanghai Pujiang pursuant to the LOI in the sum of RMB10,000,000 as part of the Advanced Payment, and a further loan to be advanced by Shanghai Pujiang to the Target in the sum of RMB20,000,000 as the remaining part of the Advanced Payment to be held in a bank account in the name of the Target and controlled by Shanghai Pujiang (the “**Co-management Account**”);
- (2) within five (5) Business Days upon the satisfaction of the Conditions Precedent Part II, a sum of RMB31,800,000 (the “**Second Instalment Payment**”) shall be paid by Shanghai Pujiang to the Vendor as part of the Transfer Price. At the same time, the Advanced Payment shall be capitalised into the capital of the Target (in which RMB7,190,245 will be contributed to the registered share capital of the Target and the remainder to its capital reserve) for its principal business operation (the “**Capitalisation of the Advanced Payment**”). Within three (3) Business Days of receiving the Second Instalment Payment, a sum of RMB31,800,000 shall be paid by the Existing Shareholders to Shanghai Pujiang as profit guarantee retention money (the “**Retention Money**”);
- (3) Within five (5) Business Days from the payment of Retention Money to Shanghai Pujiang by the Existing Shareholders, a sum of RMB30,000,000 shall be paid by the Shanghai Pujiang to the Vendor as the remainder of the Transfer Price.

Half of the Retention Money (i.e. RMB15,900,000) (the “**Initial Retention Amount**”) shall be released by Shanghai Pujiang to the Existing Shareholders upon the satisfaction of the profit guarantee with an Audited NP of not less than RMB20,000,000 for the financial year ending 31 December 2019. The another half of the Retention Money (i.e. RMB15,900,000) (the “**Remainder Retention Amount**”) shall be released by Shanghai Pujiang to the Existing Shareholders upon the satisfaction of the profit guarantee with an Audited NP of not less than RMB20,000,000 for the financial year ending 31 December 2020.

The Retention Money shall be subject to the adjustment below.

With respect to the Initial Retention Amount, if the Audited NP for the financial year ending 31 December 2019 is less than RMB20,000,000 and Shanghai Pujiang does not exercise the Right of Buy-Back, the Existing Shareholders shall pay cash compensation (“**FY2019 Cash Compensation Amount**”) to Shanghai Pujiang which is determined in accordance with the following formula:

FY2019 Cash Compensation Amount = RMB91,800,000 x (Guaranteed Net Profit for the financial year ending 31 December 2019 – Audited NP for the financial year ending 31 December 2019)/Guaranteed Net Profit for the financial year ending 31 December 2019

i.e. $\text{RMB}91,800,000 \times (\text{RMB}20,000,000 - \text{Audited NP for the financial year ending 31 December 2019})/\text{RMB}20,000,000$

In the event that the Initial Retention Amount is less than FY2019 Cash Compensation Amount, Shanghai Pujiang shall not be required to return the Initial Retention Amount to the Existing Shareholders and the Existing Shareholders shall pay the residue of the FY2019 Cash Compensation Amount (after deducting the Initial Retention Amount) to Shanghai Pujiang within 20 Business Days after confirmation of the Audited NP for the financial year ending 31 December 2019. In the event that the Initial Retention Amount is more than FY2019 Cash Compensation Amount, Shanghai Pujiang shall return the balance of the Initial Retention Amount (after deducting FY2019 Cash Compensation Amount) to the Existing Shareholders within 20 Business Days after confirmation of the Audited NP for the financial year ending 31 December 2019.

With respect to the Remainder Retention Amount, if the Audited NP for the financial year ending 31 December 2020 is less than RMB20,000,000 and Shanghai Pujiang does not exercise the Right of Buy-Back, the Existing Shareholders shall pay cash compensation (“**FY2020 Cash Compensation Amount**”) to Shanghai Pujiang which is determined in accordance with the following formula:

$\text{FY2020 Cash Compensation Amount} = \text{RMB}91,800,000 \times (\text{Guaranteed Net Profit for the financial year ending 31 December 2020} - \text{Audited NP for the financial year ending 31 December 2020})/\text{Guaranteed Net Profit for the financial year ending 31 December 2020}$

i.e. $\text{RMB}91,800,000 \times (\text{RMB}20,000,000 - \text{Audited NP for the financial year ending 31 December 2020})/\text{RMB}20,000,000$

In the event that the Remainder Retention Amount is less than FY2020 Cash Compensation Amount, Shanghai Pujiang shall not be required to return the Remainder Retention Amount to the Existing Shareholders and the Existing Shareholders shall pay the residue of FY2020 Cash Compensation Amount (after deducting the Remainder Retention Amount) to Shanghai Pujiang within 20 Business Days after confirmation of the Audited NP for the financial year ending 31 December 2020. In the event that the Remainder Retention Amount is more than FY2020 Cash Compensation Amount, Shanghai Pujiang shall return the balance of the Remainder Retention Amount (after deducting FY2020 Cash Compensation Amount) to the Existing Shareholders within 20 Business Days after confirmation of the Audited NP for the financial year ending 31 December 2020.

The Existing Shareholders unanimously agree that all payment and refund of the Retention Money shall be executed by Ms. Wang.

Right of buy-back

If the Audited NP for the financial year ending 31 December 2019 is equal or less than 80% of the Guarantee Net Profit (i.e. RMB16,000,000 or less), Shanghai Pujiang shall have the right, within fifteen (15) Business Days after the confirmation of the Audited NP for such year, to request the Target and/or the Existing Shareholders to buy back (the “**Right of Buy-Back**”) the whole or part of the shareholding of Shanghai Pujiang in the Target at that time (the “**Buy-Back Shareholding**”).

If Shanghai Pujiang shall exercise the Right of Buy-Back, the Target and/or the Existing Shareholders shall pay to Shanghai Pujiang the amount equal to the whole or part of the Consideration received by the Vendor and/or the Target (as the case may be) so far (the “**Sum for Buy-Back**”), together with interest calculated at the rate of 8% per annum for such part of the Consideration for the period from the actual date of payment made up to the actual date of receipt of all such Sum for Buy-Back by Shanghai Pujiang, or, the estimated net assets value of the Buy-Back Shareholding, whichever is greater.

The Group intends to settle the Transfer Price and the Investment Sum by (i) the Net Proceeds allocated for vertical expansion of both industry chain and supply chain in the property management industry and (ii) internal resources of the Group.

Conditions Precedent

The Equity Interest Transfer and payment of the First Instalment Payment is conditional upon the fulfilment (or waiver in writing, if applicable) of the following conditions (collectively the “**Conditions Precedent Part I**”):

- (i) Completion of the Reorganisation. After the completion of the Reorganization as agreed in the Investment Agreement, Ms. Wang and the Target shall provide a confirmation that the Reorganization has been completed together with all relevant supporting documents to Shanghai Pujiang and having been approved by Shanghai Pujiang;
- (ii) Signing of legal documents. All Parties having signed and executed all the documents necessary to give effect to the Equity Interest Transfer, Capital Injection and the Investment Agreement (including, but not limited to, the memorandum and articles of association of the Target and the equity transfer agreement and/or capitalisation agreement required to be submitted to the relevant industry and commerce and/or market supervision and administration bureau of the PRC) in form and substance to the satisfaction of all parties;
- (iii) External approval and authorisation. All Parties having obtained all permits, consents, approvals and authorisations from all necessary third parties or other government authorities, including all necessary approvals from the Stock Exchange and/or the SFC in connection with this transaction under the Investment Agreement;

- (iv) Internal approval and authorisation. All Parties having obtained approval by their respective shareholders and/or directors to approve the Reorganisation, Equity Interest Transfer, Capital Injection and other transactions as contemplated under the Investment Agreement and authorise the execution of all necessary documents. In particular, Shanghai Pujiang having obtained the approval and authorisation from the Company;
- (v) Representation and warranties. All information provided by, as well as the representations and warranties given by the Target and the Existing Shareholders to Shanghai Pujiang under the Investment Agreement remain true, complete, not misleading and accurate in all material respects as at Completion;
- (vi) No material adverse change. There having no material adverse change nor reasonably expected to have a material adverse change in relation to the Target Group's business, operations, assets, liabilities, taxation or other financial conditions;
- (vii) No material judgment, litigation or injunction. There having no laws, regulations or any orders, decision, judgment or adjudication by any court or relevant government authorities that may prohibit, restrict or rescind the transactions under the Investment Agreement, nor any significant pending or potential litigation, arbitration, decision, judgment, adjudication or order that may cause an adverse impact on the Vendor, the Target Group or the Target Group's investment;
- (viii) Adjustment of the latest equity transfer. The Existing Shareholders having entered into a supplemental agreement in relation to the transfer price for an equity transfer in October 2017, and such transfer price has been duly paid in accordance to such supplemental agreement;
- (ix) Non-competition clause. Each of the core member of the Target (as listed in the Investment Agreement) and the Target having entered into the confidentiality agreement and non-competition agreement to the satisfaction of Shanghai Pujiang;
- (x) Completion of the equity pledge registration. In addition to the 30% equity interest in the Target pledged by the Existing Shareholders in favour of Shanghai Pujiang, the Existing Shareholders having completed the equity pledge registration on the additional 21% of equity interest in the Target in favour of Shanghai Pujiang;
- (xi) The Co-management Account. The Co-management Account having been set up; and
- (xii) Due diligence. All due diligence exercise and investigation having completed with regard to the Target Group's financial, legal and other aspects to the satisfaction of Shanghai Pujiang.

The Parties undertake to use their best endeavor to fulfil all Conditions Precedent Part I within 45 Business Days after the date of signing of the Investment Agreement (unless extended with Shanghai Pujiang's consent). If, due to the fault of the Target and the Existing Shareholders, the Conditions Precedent Part I could not all be fulfilled and/or not waived or extended by Shanghai Pujiang, Shanghai Pujiang has the right to

terminate the Investment Agreement with written notice to all other Parties. If Shanghai Pujiang terminates the Investment Agreement for the aforesaid reason, the Target and the Existing Shareholders shall refund all the payments made by Shanghai Pujiang under the Investment Agreement to Shanghai Pujiang and compensate Shanghai Pujiang for the loss and damages suffered due to the termination of the Investment Agreement and other liability for breach of the Investment Agreement under the law.

In the event that the Investment was not approved and authorised externally and/or internally, unless the Parties agree to change the terms of the Investment, re-execute the necessary transactional documents and re-submit for internal and/or external review, Shanghai Pujiang has the right to request for the termination of the Investment Agreement and the LOI and the Existing Shareholders and the Target shall thereafter within 15 Business Days return the payment made under the LOI in the amount of RMB10,000,000 without interest to Shanghai Pujiang.

The Capitalisation of the Advanced Payment and payment of the Second Installment Payment are conditional upon the fulfilment (or waiver in writing, if applicable) of the following conditions precedent (collectively the “**Conditions Precedent Part II**”):

- (i) Subsistence of Conditions Precedent Part I. Conditions Precedent Part I shall continue to be fulfilled;
- (ii) Completion of the Equity Interest Transfer and the Capital Injection. The Equity Interest Transfer and Capital Injection having been completed and registered at the relevant industry and commerce and/or market supervision bureau of the PRC, and Shanghai Pujiang having been registered on the Target’s register of shareholders as a shareholder of 51% equity interest in the Target, representing RMB29,192,525 in the registered share capital of the Target;
- (iii) Revision of the memorandum and articles of association of the Target. The Target’s revised memorandum and articles of association having been filed at the relevant industry and commerce bureau;
- (iv) Handover. The handover of the corporate documents and files in relation to the operation of the Target and the documents, contracts and/or agreements in relation to the Target’s assets and possessions and all the company seals and chops of the Target having been completed; and
- (v) Reorganisation. The structure of the Target having been reorganised in accordance with the relevant terms and conditions under the Investment Agreement.

The Parties undertake to use their best endeavor to fulfil all Conditions Precedent Part II within 20 Business Days after the date of fulfilment of all Conditions Precedent Part I (unless extended with Shanghai Pujiang’s consent). If, due to the fault of the Target and the Existing Shareholders, the Conditions Precedent Part II could not all be fulfilled and/or not waived or extended by Shanghai Pujiang, Shanghai Pujiang has the right to terminate the Investment Agreement with written notice to all other Parties. If Shanghai Pujiang terminates the Investment Agreement for the aforesaid reason, the Target and the Existing Shareholders shall refund all the payments made by Shanghai Pujiang

under the Investment Agreement to Shanghai Pujiang and compensate Shanghai Pujiang for the loss and damages suffered due to the termination of the Investment Agreement and other liability for breach of the Investment Agreement under the law.

Share pledge

The Existing Shareholders agree to pledge, in total, 51% of the equity interest of the Target held by them respectively in favour of Shanghai Pujiang pursuant to the terms of the Investment Agreement.

Restrictions

From the time of the entering of the Investment Agreement to the date of the Completion, unless written consent of Shanghai Pujiang has been obtained, the Existing Shareholders and the board of directors of the Target will not, among others, do or procure the Target Group to carry out any or all of the following:

- (1) change the scope of the operating businesses of any of the Target Group (except when already disclosed to Shanghai Pujiang);
- (2) amend the memorandum and articles of association of the Target Group (other than as required to give effect to the Investment Agreement and the transaction contemplated therein);
- (3) enter into any agreement for the acquisition and/or merger with any third parties and/or apply for the winding up and/or dissolution of any of the Target Group;
- (4) assign or pledge any shareholding in any of the Target Group or increase the registered share capital of any of the Target Group (except for the purpose of the transactions contemplated under the Investment Agreement);
- (5) declare or distribute profits or other distribution of any of the Target Group;
- (6) acquire, dispose, pledge, lease out and/or create security interest or in any other way deal with any material asset of any of the Target Group;
- (7) enter into any settlement and/or debt repayment arrangement and/or agreement with the Target Group's creditors;
- (8) distribute bonus to, or increase the emolument of any management and directors of the Target Group, or amend the terms and conditions of the employment contracts with the Target Group;
- (9) provide any guarantee and/or indemnity to any person or corporate entities with a indemnity amount of over RMB100,000;
- (10) except in the ordinary course of business, assign to or approve the use by any other persons or corporate entities of the intellectual properties held by any of the Target Group;

- (11) implement any material changes to the current tax and/or accounting policies of the Target Group (other than as required by the PRC accounting standards or applicable legislative changes);
- (12) breach any laws, regulations and rules of the PRC and/or any order or decisions of any government departments or authorities or any ruling, decision and judgment of the PRC judicial and/or arbitration institutions;
- (13) sign, execute or otherwise enter into any agreement or contract by any of the Target Group containing extraordinary terms and conditions (including but not limited to terms and conditions that are unfair to any of the Target Group and/or of a long term effect), or any agreement, suggestion or intent regarding any of the matters abovementioned; and
- (14) conduct any other matters which may cause or lead to a material adverse change to the shareholding structure, financial condition, assets, liabilities, operations, future prospects and business of the Target Group.

From the time of entering into the Investment Agreement to the date of the Completion, the Existing Shareholders undertakes to give the following undertakings:

- (1) Trademark defect undertaking. The Existing Shareholders shall, before Completion, produce a written undertaking to be liable for all the potential adverse legal consequences arising from the trademark defect of Hong Xin* (“泓欣”), specifically the trademark of Hong Xin* (“泓欣”) under Category 37 has been already registered by Zhejiang Yuxin Shipping Company Limited* (浙江泓欣海運有限公司); and
- (2) Historical labour defect undertaking. The Existing Shareholders shall, before Completion, produce a written undertaking to be liable for all the potential adverse legal consequences arising from the historical non-compliance of the Target in relation to social security funds arrangement.

Board composition and management of the Target

Upon Completion, the board of directors of the Target shall comprise five (5) directors. Shanghai Pujiang shall have the right to nominate three (3) directors and Ms. Wang shall have the right to nominate two (2) directors. The chairman of the board of directors of the Target shall be a director elected by majority by the board of directors of the Target.

Further, the chief financial officer of the Target shall be nominated by Shanghai Pujiang.

Performance fulfilment reward

All Parties agree that if the Existing Shareholders shall achieve the Guaranteed Net Profit in the financial years ending 31 December 2019 and/or 2020 in accordance with the Investment Agreement, in the premises of not affecting the normal operation of the Target, the Target shall, within six (6) months after all Parties confirming that the

Guaranteed Net Profit having been achieved for that particular year, release a cash incentive, or in other ways permitted under the law reward in the amount equivalent to 30% of the amount of the actual performance of the Target exceeding the Guaranteed Net Profit as a reward to the senior management, core member or other key employees as approved by the board of the Target. Such reward shall be executed in the specific method as approved by the board of the Target.

Obligations after Completion

The Existing Shareholders jointly and severally undertake to Shanghai Pujiang (except when abandoned and/or waived by Shanghai Pujiang in writing), among other matters, not to directly or indirectly transfer or assign the shareholding and/or equity interest in the Target, or dispose of the equity interest in the Target, Hezhou Hongteng and/or Hezhou Hongda or partnership equity interest by way of a pledge or repayment of a debt within five (5) years after Completion, unless with the approval of Shanghai Pujiang. Moreover, subject to the terms and conditions of the Investment Agreement, if the Existing Shareholders shall directly or indirectly transfer the shareholding and/or equity interest in the Target, Hezhou Hongteng and/or Hezhou Hongda or the limited partnership equity interest, Shanghai Pujiang shall have the first right of refusal on the proposed transfer.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in the provision of environmental maintenance services and property cleaning services in the PRC, mainly in Fujian and Sichuan provinces. The scope of services of the Target Group mainly include (i) property cleaning, (ii) environmental hygiene services, (iii) maintenance of marble and greening maintenance, (iv) garbage removal and (v) road cleaning services.

As at 30 April 2019, the net asset value of the Target Group was approximately RMB38.0 million.

Set out below is the consolidated financial information of the Target Group prepared under HKFRSs for the years ended 31 December 2017 and 31 December 2018 respectively:

	For the year ended	
	31 December 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation and extraordinary items	13,837	12,563
Net profit after taxation and extraordinary items	10,256	9,320
Total revenue	202,349	147,417

Upon Completion, the Target will become an indirect non-wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the financial results of the Group.

INFORMATION OF THE VENDOR

The Vendor is a partnership formed in the PRC with limited liability and is principally engaged in investment holding.

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

INFORMATION OF THE GROUP

The Group is a property management service provider in the PRC. The Group mainly engaged in provision of property management service, including engineering, repair and maintenance services, customer services, security services, and cleaning and gardening services for high-end non-residential properties in the PRC and other properties such as public properties, office buildings and hotels, commercial establishments, government properties, residential properties. The Group also provides a range of value-added services including various kinds of consultancy services relating to property management.

INFORMATION OF SHANGHAI PUJIANG

Shanghai Pujiang is a company incorporated in the PRC on 2 December 2002 with limited liability and is an indirect wholly-owned subsidiary of the Company. Shanghai Pujiang is principally engaged in the business of property management services in the PRC.

REASONS FOR AND BENEFITS OF THE INVESTMENT

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 city management engaging in environmental and property management businesses in core regions around China.

As disclosed in the prospectus of the Company dated 28 November 2017, it is one of the Group's business strategies to expand its business vertically in the supply chain of the property management industry by investing in the providers of various kinds of quality sub-contracted services, such as cleaning, gardening and engineering services. Based on the feasibility studies conducted by the management of the Group, the Target Group has met the Group's selection criteria for vertical expansion for the reasons and benefits below:

Increasing the Group's geographical presence in China

The Target Group is operating in regions where the Group currently does not have a business presence, such as Fujian and Sichuan provinces. The Directors consider that the Investment will facilitate the in-depth regional development of the Group in the southwest region and south-east coast of China.

Increasing the Group's competitiveness

The Directors consider that the business of the Target Group could complement the business of the Group and the Investment could strengthen the Group's market position in the provision of property management services to non-residential properties in the PRC. Furthermore, the Investment could create business synergy for the Group as the Group could integrate the resources, including, among others, the existing customer base and marketing channels of the Target Group to strengthen and expand the Group's operation and scope of services for its existing customers and to expand the Group's customer base by providing more ancillary services relating to its principal business of property management services.

Enhancing the Group's overall profitability

According to the consolidated financial information of the Target Group, its financial results in the preceding three years have been on an upward trend. For the year ended 31 December 2018, its revenue amounted to approximately RMB202.3 million and its net profit was approximately RMB10.3 million. The revenue and net profit of the Target Group is expected to continue to grow steadily. Therefore, the Target Group is expected to have a positive contribution to the revenue and profit of the Group after Completion and increase the Group's overall profitability.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the Investment represents an attractive opportunity for the Company and the terms of the transactions contemplated thereunder the Investment Agreement are fair and reasonable, and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) for the Investment exceed 25% but all are less than 100%, the Investment constitutes a major transaction for the Company and is therefore subject to the announcement, reporting, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, (i) as no Shareholder has material interest in the Investment, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Investment; and (ii) the Company has obtained a written Shareholders' approval dated 6 September 2019 from the Controlling Shareholders for the approval of the Investment. Pursuant to Rule 14.44(2) of the Listing Rules, the written Shareholders' approval from the Controlling Shareholders will be accepted in lieu of holding a general meeting of the Shareholders. As a result, no physical extraordinary general meeting will be convened by the Company to approve the Investment.

A circular containing, among other things, further details of the Investment will be despatched to the Shareholders on or before 30 September 2019 in accordance with the Listing Rules.

Completion is subject to the fulfilment (or where applicable, waiver) of the Conditions Precedent and therefore the Investment may or may not proceed. As such, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Advanced Payment”	include (i) an earnest money in the sum of RMB3,000,000 to the Existing Shareholders and a loan in the sum of RMB7,000,000 to the Target advanced by Shanghai Pujiang under the LOI and (ii) a sum of RMB20,000,000 to be advance by Shanghai Pujiang to the Co-management Account as part of the First Instalment Payment pursuant to the Investment Agreement
“Audited NP”	the audited net profit of the Target Group under HKFRSs, for the purposes of the adjustments to be made to the Retention Money
“Board”	the board of Directors of the Company
“Business Day”	a day other than a Saturday, Sunday or public holiday in the PRC
“Capital Injection”	the increase in the capital of the Target as contemplated under the Investment Agreement
“Company”	Riverine China Holdings Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (Stock code: 1417)
“Completion”	completion of the Reorganisation, Equity Interest Transfer and Capital Injection in accordance with the terms and conditions of the Investment Agreement and completion of registration of the Investment at the relevant industry and commerce and/or market supervision and administration bureau
“Conditions Precedent”	collectively Conditions Precedent Part I and Conditions Precedent Part II
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB91,800,000 subject to adjustment, payable by Shanghai Pujiang for the Investment in the manner pursuant to the Investment Agreement

“Controlling Shareholders”	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 Holdings Limited, Vital Kingdom Investments Limited, Pine Fortune Global Limited, Source Forth Limited, Mr. Chen Yao, Mr. Fu Qichang, Mr. Xiao Xingtao, holding 299,154,000 Shares, representing approximately 73.87% of the issued share capital of the Company
“Director(s)”	the director(s) of the Company
“Equity Interest Transfer”	the transfer of equity interest of the Target from the Vendor to Shanghai Pujiang as contemplated under the Investment Agreement
“Existing Shareholders”	collectively Ms. Wang, Mr. Kou, Shanghai Honghui, Hezhou Hongteng and Hezhou Hongda, altogether constituting 100% of equity interest in the Target immediately prior to the date of the Investment Agreement
“Group”	the Company and its subsidiaries
“Guaranteed Net Profit”	the guaranteed net profit in the sum of RMB20,000,000
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hezhou Hongteng”	Hezhou Hongteng Equity Investment Partnership Enterprise (Limited Partnership)* (賀州泓騰股權投資合夥企業(有限合夥)), a partnership formed in the PRC with limited liability, one of the Existing Shareholders holding 30.73% equity interest in the Target and an Independent Third Party. As at the date of this announcement, Ms. Wang and Mr. Kou holds 70.0% and 30.0% of the equity interest of Hezhou Hongteng respectively
“Hezhou Hongda”	Hezhou Hongda Equity Investment Partnership Enterprise (Limited Partnership)* (賀州泓大股權投資合夥企業(有限合夥)), a partnership formed in the PRC with limited liability, one of the Existing Shareholders holding 8.48% equity interest in the Target and an Independent Third Party. As at the date of this announcement, Ms. Wang and Mr. Kou holds 70.0% and 30.0% of the equity interest of Hezhou Hongda respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRSs”	Hong Kong Financial Reporting Standards

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of 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
“Investment”	the acquisition of 51% equity interest in the Target, by way of Equity Interest Transfer and Capital Injection, from the Existing Shareholders by Shanghai Pujiang
“Investment Agreement”	the investment agreement entered into between Shanghai Pujiang, the Target and the Existing Shareholders in relation to the Investment
“Investment Sum”	RMB30,000,000, being the investment sum to be injected by Shanghai Pujiang into the Target
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“LOI”	the letter of intent dated 11 January 2019 entered into between the Shanghai Pujiang, the Target and the Existing Shareholders in relation to the Investment
“Mr. Kou”	Mr. Kou Liang (寇亮), one of the Existing Shareholders holding 1.5% equity interest in the Target and an Independent Third Party
“Ms. Wang”	Ms. Wang Hui (王慧), one of the Existing Shareholders holding 3.5% equity interest in the Target and an Independent Third Party
“Net Proceeds”	net proceeds of approximately HK\$125.5 million raised by the Company from the listing of the Shares on the Main Board of the Stock Exchange and the partial exercise of an over-allotment option as detailed in the announcement of the Company dated 2 January 2018
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administration Region and Taiwan
“Reorganisation”	the corporate reorganisation of the Target pursuant to the Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong

“Share(s)”	ordinary share(s) with the nominal value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shanghai Honghui”	Shanghai Honghui Enterprise Management Consulting Partnership Enterprise (Limited Partnership)* (上海泓匯企業管理諮詢合夥企業(有限合夥)), a partnership formed in the PRC with limited liability, one of the Existing Shareholders holding 55.79% equity interest in the Target and an Independent Third Party. As at the date of this announcement, Ms. Wang and Mr. Kou holds 70.0% and 30.0% of the equity interest of Shanghai Honghui respectively
“Shanghai Pujiang”	Shanghai Pujiang Property Company Limited* (上海浦江物業有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Hong Xin Environmental Group Co., Ltd.* (泓欣環境集團有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Target Group”	the Target together with its subsidiaries
“Transfer Price”	RMB61,800,000 (subject to adjustments), being the total transfer price payable by Shanghai Pujiang to the Vendor for the acquisition of 43.9606% equity interest in the Target
“Vendor”	means Shanghai Honghui

By order of the Board
RIVERINE CHINA HOLDINGS LIMITED
Mr. Xiao Xingtao
Chairman and Executive Director

Hong Kong, 9 September 2019

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.

* *The English name is for identification purposes only.*