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Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND THE SHAREHOLDER'S LOAN OF THE TARGET COMPANY

THE ACQUISITION

On 27 October 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement pursuant to which, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholder's Loan at the total Consideration of HK\$65 million.

Upon Completion, the Target Company will be indirectly owned as to 100% by the Company. The Target Company will become an indirect wholly-owned subsidiary of the Company. The financial statements of the Target Group will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed "Conditions Precedent" in this announcement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 27 October 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement pursuant to which, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued capital of the Target Company, and the Shareholder's Loan at the Consideration of HK\$65 million.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

27 October 2022 (after trading hours)

Parties

- (1) The Purchaser; and
- (2) The Vendor

Immediately before the Completion, the Target Company was wholly-owned by the Vendor, who holds the entire issued share capital in the Target Company. Each of the Vendor and her associates is an Independent Third Party.

Assets to be acquired of

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholder's Loan, subject to the terms and conditions set out in the Sale and Purchase Agreement.

The Shareholder's Loan is interest-free, unsecured and repayable on demand.

The Consideration

The Consideration for the Sale Shares and the Shareholder's Loan shall be HK\$65 million (of which the consideration for the Shareholder's Loan shall be an amount equal to the Shareholder's Loan on a dollar for dollar basis, and the consideration for the Sale Shares shall be an amount equal to the Consideration less the consideration for the Shareholder's Loan). The Consideration shall be satisfied by the Purchaser in cash in the following manner:

- (i) as to 10% thereof in the sum of HK\$6.5 million, being a refundable deposit, shall be payable upon signing of the Sale and Purchase Agreement; and
- (ii) as to the balance thereof in the sum of HK\$58.5 million shall be payable on the date of Completion.

The Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement on normal commercial terms, mainly with reference to (i) the adjusted net assets value of the Target Group as at 15 October 2022 of approximately HK\$64.7 million (i.e. the unaudited consolidated net assets value of the Target Group as at 15 October 2022 of approximately HK\$24.3 million and adjusted by adding back the shareholder's loan due from the Target Company to the Vendor as at 15 October 2022 of approximately HK\$40.4 million); (ii) the fair value of the Premises as at 30 September 2022 of HK\$65 million prepared by an independent valuer using direct comparison approach; (iii) the historical financial performance of the Target Group; (iv) the prevailing market condition of the property market in Hong Kong; and (v) the reasons for and benefits of the Acquisition as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Conditions Precedent

The Acquisition is conditional upon fulfilment of the following conditions:

- (i) the Purchaser having conducted and completed its due diligence review on the business, financial, legal and other aspects of the Target Company and the title of the Premises and satisfied with the result thereof;
- (ii) the obtaining of all applicable consents from the government, regulatory authorities or third parties which are necessary in connection with the execution and performance of the transactions contemplated under the Sale and Purchase Agreement; and

(iii) the representations and warranties of the Vendor in the Sale and Purchase Agreement remaining true and accurate in all material respects and are not misleading as at the date of Completion.

Either party to the Sale and Purchase Agreement may waive the condition (ii) above in so far as the same is applicable to it by written notice to the other party. The Purchaser may waive the conditions (i) and (iii) above by written notice to the Vendor.

If the above conditions precedent are not fulfilled and/or have not been waived by the applicable party on or before the Long Stop Date, the Sale and Purchase Agreement shall be terminated whereupon the Vendor shall refund any refundable deposit paid in full to the Purchaser (without any interest) and thereafter, all rights, obligations and liabilities of the parties thereto shall cease and determine and thereafter neither party shall have any obligations and liability towards each other thereunder save for any rights on any antecedent breaches of the terms thereof.

Completion

Completion shall take place within two (2) Business Days after the satisfaction of all the conditions set out in the section headed “Conditions Precedent” above or such other date as the parties may agree in writing.

Upon Completion, the Target Company will be indirectly owned as to 100% by the Company. The Target Company will become an indirect wholly-owned subsidiary of the Company. The financial statements of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION OF THE PARTIES

Information of the Target Company and the Target Group

The Target Company is incorporated in the BVI with limited liability and is principally engaged in investment holding. The Target Group is principally engaged in property investment.

The principal asset of the Target Group is the Premises beneficially owned by a direct wholly-owned subsidiary of the Target Company incorporated in Hong Kong with limited liability.

The Premises shall be in vacant possession upon Completion. With reference to the valuation prepared by an independent valuer using direct comparison approach, the fair value of the Premises is HK\$65 million as at 30 September 2022.

The corporate structures of the Target Group immediately before and after the Completion are set out as follow:

Before the Completion



After the Completion



Financial Information of the Target Group

The table below sets out the unaudited consolidated financial information of the Target Group for each of the years ended 31 December 2020 and 2021, and the period from 1 January 2022 to 15 October 2022 respectively (prepared in accordance with the Hong Kong Financial Reporting Standards):

	For the period from 1 January 2022 to 15 October 2022	For the year ended	
	HK\$'000	31 December 2021	31 December 2020
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	1,710	2,280	1,741
Net profit (loss) before tax	871	3,877	(1,549)
Net profit (loss) after tax	871	3,596	(1,549)

According to the management accounts of the Target Group as at 15 October 2022, the unaudited consolidated net assets value was approximately HK\$24.3 million.

The Target Group incurred a net loss after tax for the year ended 31 December 2020, primarily due to the fair value loss of HK\$2.0 million of the investment properties was recognised for the same year. The Target Group recorded a fair value gain of HK\$2.2 million of the investment properties for the year ended 31 December 2021. No fair value change was recorded for the period from 1 January 2022 to 15 October 2022.

Information of the Company and the Purchaser

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in, *inter alia*, development and operation of ports, infrastructure, gas distribution and logistics facilities in the PRC, providing comprehensive engineering and property-related services through Paul Y. Engineering Group Limited and its subsidiaries, land and property development and investment in the PRC as well as securities trading and investment, and provision of financing related services.

The Purchaser, an indirect wholly-owned subsidiary of the Company, is incorporated in the Marshall Islands with limited liability. The Purchaser is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon the completion of (i) the disposal of 浙江美聯置業有限公司 (Zhejiang Midland Property Co. Ltd*), which is indirectly holding the entire interest in Pioneer Technology Building located in Binjiang District of Hangzhou City, the PRC (details of which are set out in the announcement of the Company dated 9 September 2022), and (ii) the disposal of the entire issued share of and the assignment of the shareholder's loan owing by Profit Tycoon Holdings Limited, a wholly-owned subsidiary of the Company (details of which are set out in the circular of the Company dated 31 December 2021 and the announcements dated 18 January 2022, 14 July 2022, 3 August 2022, 23 August 2022, 2 September 2022, 26 September 2022 and 26 October 2022), the Group will no longer have business of land and property development and investment in the PRC by then.

In fact, the Directors are currently repositioning its focus and portfolios of properties investment in Hong Kong and overseas. It is the business strategy of the Company to take advantage of the downturn of the property market to capture the potential market upside in the future, particularly in Hong Kong and overseas, and the Company has been actively looking for such potential investment opportunities.

Upon the Completion of the Acquisition, the Group could lease out the Premises to generate rental income, as a result of which the Group could be benefited from consolidating the results of the Target Group.

The unaudited consolidated net assets value of the Target Group as at 15 October 2022 was approximately HK\$24.3 million. By adding back the shareholder's loan due from the Target Company to the Vendor of approximately HK\$40.4 million to the net assets value, the adjusted net assets value of the Target Group would be approximately HK\$64.7 million. Therefore, the Consideration of HK\$65 million represents a slight premium of less than 0.5% to the adjusted net assets value.

In light of the above, the Board considers that the Acquisition and the terms of the Sale and Purchase Agreement including the Consideration are on normal commercial terms, fair and reasonable and in the interests of the Group and the Company's Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

- “Acquisition” the acquisition of the Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholder’s Loan by the Purchaser pursuant to the Sale and Purchase Agreement
- “Board” board of Directors
- “Business Day(s)” a day on which banks are generally open for business in Hong Kong, except a public holiday, Sunday and a Saturday or a day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
- “BVI” British Virgin Islands
- “Company” Blue River Holdings Limited (stock code: 498), an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
- “Completion” completion of the sale and purchase of the Sale Shares and the Shareholder’s Loan pursuant to the Sale and Purchase Agreement
- “Consideration” the total consideration of HK\$65 million to be payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares and the Shareholder’s Loan pursuant to the Sale and Purchase Agreement
- “Director(s)” director(s) of the Company
- “Group” the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Long Stop Date”	one month from the date of the Sale and Purchase Agreement or such other date the parties may agree
“PRC”	the People’s Republic of China
“Premises”	the whole floor of 9th Floor of E-Trade Plaza, 24 Lee Chung Street, Chai Wan, Hong Kong with gross floor area of approximately 7,758 square feet and car parking spaces nos. 222, 223 and 224 on 2nd Floor of E-Trade Plaza
“Purchaser”	Blue River Forever Limited, a non-resident domestic company incorporated in the Marshall Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement dated 27 October 2022 entered into between the Purchaser and the Vendor relating to the Acquisition
“Sale Shares”	the two (2) ordinary shares with no par value, representing 100% of the entire issued share capital of the Target Company held by the Vendor and to be acquired by the Purchaser pursuant to the Sale and Purchase Agreement
“Share(s)”	share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan due from the Target Company to the Vendor as at the date of Completion

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Vogalsan Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiary
“Vendor”	Ms. Fung Yuk Tai, an individual investor who holds the entire issued share capital in the Target Company prior to the Acquisition
“%”	per cent

* *For identification purposes only*

By Order of the Board

Blue River Holdings Limited

HO Sze Nga

Company Secretary

Hong Kong, 27 October 2022

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Benny KWONG (*Chairman*)
 AU Wai June
 Marc TSCHIRNER
 SAM Hing Cheong

Independent Non-Executive Directors:

William GILES
 YU Chung Leung
 LAM John Cheung-wah