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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Blue River Holdings Limited** (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Chinese translation of this circular is for reference only and in case of any inconsistency, the English version shall prevail.



Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

MAJOR TRANSACTION DISPOSAL OF THE SALE SHARE AND ASSIGNMENT OF THE SALE LOAN OF THE TARGET COMPANY AND NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



A notice convening the SGM to be held at Sky Blue, Shop 301, 3/F, Harbour North (Phase 1), North Point, Hong Kong on Monday, 13 February 2023 at 10:30 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use by the Shareholders at the SGM or any adjournment thereof (as the case may be) is enclosed with this circular.

In the event that a black rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at 7:30 a.m. on Monday, 13 February 2023, the SGM shall automatically be postponed to Monday, 20 February 2023 (the “**Re-scheduled Day**”), the date on which no black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted at 7:30 a.m. and in such case the SGM shall be held at 10:30 a.m. on the Re-scheduled Day at Sky Blue, Shop 301, 3/F, Harbour North (Phase 1), North Point, Hong Kong.

If you are not able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

In the interest of all Shareholders’ health and safety and in order to prevent and control the spread of COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the resolution at the SGM instead of attending the SGM in person, by completing and returning the proxy form attached to this circular.

26 January 2023

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Agreement”	the sale and purchase agreement dated 24 December 2022 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for business other than (i) a Saturday or (ii) a “general holiday” as defined in Section 2 of the General Holidays Ordinance Cap.149, or one of the days specified from time to time in the schedule to that Ordinance as being “general holidays” under Section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted 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 and “Business Days” shall be construed accordingly
“BVI”	the 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 Disposal in accordance with the terms and conditions of the Agreement
“Completion Accounts”	the unaudited consolidated management accounts of the Target Company comprising an income statement for the period from 1 August 2022 to the Completion Date and a statement (or consolidated statement as the case may be) of financial position as at the Completion Date, in substantially the same format as and prepared on accounting policies consistent with the TC Accounts and certified by the Vendor to be true and accurate in all material respects
“Completion Date”	the fifteenth Business Day after the date on which all of the conditions set out in the Agreement have been satisfied or waived by the parties thereto (or such other date as the parties thereto may agree from time to time) and when Completion takes place
“Consideration”	the consideration payable by the Purchaser for the Disposal, which amounts to HK\$406,000,000 and subject to adjustment in accordance with the terms and conditions of the Agreement

DEFINITIONS

“Corporate Guarantee”	the corporate guarantee dated 18 March 2020 executed by the Company in favour of 江蘇如東農村商業銀行股份有限公司 which the Company agreed to provide guarantee for Jiangsu Co’s bank loans/debts to the extent of RMB62,730,000 pursuant to its 51% shareholding of Jiangsu Co.
“Designated Audit Firms”	Ernst & Young, Pricewaterhouse Coopers, Deloitte, KPMG and Crowe
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share and the assignment of the Sale Loan pursuant to the terms and conditions of the Agreement
“Former Purchaser”	Gold Spell Limited, a company incorporated in BVI with limited liability
“General Agreement”	certain agreement(s) entered into between Jiangsu Yangtong and Municipal Government of Rudong County, among others, which set out, <i>inter alia</i> , the rights and obligations of the respective parties in the reclamation of Land (including the basis for the land use right and income entitlement of the Land by Jiangsu Yangtong)
“Glory Well Investment”	Glory Well Investment and Development Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Glory Well Property”	Glory Well Property Investment Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Good Reach”	Good Reach Developments Limited, a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary 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)
“Intra-group Payables”	all amounts owing from the Target Group to the Vendor’s Group (but excluding the Sale Loan) which, as at 31 July 2022, amounted to nil

DEFINITIONS

“Jiangsu Aidewen”	江蘇愛德文教育投資有限公司 (Jiangsu Aidewen Education Investment Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, is an indirect non-wholly-owned subsidiary of the Company
“Jiangsu Co.”	江蘇小洋口溫泉開發有限公司 (Jiangsu Xiaoyangkou Hot Spring Development Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, an indirect non-wholly-owned subsidiary of the Company
“Jiangsu Links”	江蘇林克斯酒店管理有限公司 (Jiangsu Links Hotel Management Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, an indirect non-wholly-owned subsidiary of the Company
“Jiangsu Wanhua”	江蘇萬華房地產開發有限公司 (Jiangsu Wanhua Real Estate Development Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, an indirect non-wholly-owned subsidiary of the Company
“Jiangsu Yangtong”	江蘇洋通開發投資有限公司 (Jiangsu Yangtong Investment and Development Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, an indirect non-wholly-owned subsidiary of the Company
“Land”	11.42 sq. km. (equivalent to 17,130 mu) land bank situated in Xiao Yangkou, which is under development as a regional tourism site of national standard with hot spring and recreational facilities
“Latest Practicable Date”	18 January 2023, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained in this circular
“Links BVI”	Links Spa and Resort Limited, a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Links HK”	Links Spa and Resort Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Long Stop Date”	30 April 2023, but shall be automatically extended for 3 months if the conditions to the Agreement have not been waived (where applicable) or fulfilled on or before such date for any reason which cannot be attributable to either party’s default

DEFINITIONS

“Material Adverse Change”	any matter, event or circumstance that would result, either individually or in the aggregate, in a decrease in the value of the Target Group exceeding HK\$40,600,000 (i.e. 10% of the Consideration), excluding, for the avoidance of doubt, any fluctuation to the value of the Property
“Nantong Century”	南通世紀海港鄉村俱樂部開發有限公司 (Nantong Century Harbour Country Club Development Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Nantong Century Property”	南通世紀海港置業有限公司 (Nantong Century Harbour Real Estate Co., Ltd.*), a limited liability company established under the laws of the PRC and as at the Latest Practicable Date, an indirect non-wholly-owned subsidiary of the Company
“Power Golf”	Power Golf Investment Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Agreement”	the sale and purchase agreement dated 15 September 2021 (as supplemented by the addendums dated 16 December 2021, 17 January 2022, 14 July 2022, 3 August 2022, 23 August 2022, 26 September 2022, 26 October 2022, 8 November 2022 and 8 December 2022) entered into between the Vendor and the Former Purchaser in relation to the Previous Proposed Disposal which lapsed on 23 December 2022
“Previous Circular”	the circular of the Company dated 31 December 2021 in relation to the Previous Proposed Disposal
“Previous Proposed Disposal”	the proposed disposal of the sale share and assignment of the sale loan of the Target Company to the Former Purchaser pursuant to the Previous Agreement
“Profit Tycoon Group”	the Target Company and its subsidiaries which excludes Yangtong Group
“Property”	the Land and buildings thereon with gross floor area of approximately 52,400 sq. m.
“Purchaser”	Summit Day Limited, a company incorporated in the BVI with limited liability

DEFINITIONS

“PYI Investment”	PYI Investment Holdings Limited, a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“PYI Leisure”	PYI Leisure Development Limited, a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Remaining Group”	the Group excluding the Target Group after Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the internal reorganisation of the Group in transferring Yangtong Group to the Target Group at a consideration of approximately HK\$610.5 million which completed in late April 2021, after which Yangtong Group became a member of the Target Group
“Sale Loan”	such amount as equals the face value of the entire sum of shareholder’s loan owing by the Target Company to the Vendor as at the Completion Date
“Sale Share”	the entire issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder
“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 shareholders’ loan owed by the Target Company to the Company, the entire sum of which shall be assigned by the Company to the Vendor as the Sale Loan prior to Completion (such loan balance as at 31 July 2022 was approximately HK\$772.2 million)
“sq. km.”	square kilometre
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Profit Tycoon Holdings Limited, a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Target Group”	the Target Company and its subsidiaries after completion of the Reorganisation
“Target Group Company”	member company within the Target Group
“TC Accounts”	the unaudited consolidated financial statements of the Target Company for the period from 1 April 2021 to 31 July 2022 comprising its consolidated statement of financial position as at 31 July 2022 and its consolidated income statement for the period from 1 April 2021 to 31 July 2022 prepared in accordance with Hong Kong Financial Reporting Standards
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Blue River Property Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Vendor’s Group”	the Vendor, its subsidiaries (except for the Target Group), any parent company of the Vendor and all other subsidiaries of any parent company of the Vendor
“Vendor’s Warranties”	the warranties, representations, undertakings and obligations of the Vendor under the Agreement
“Working Capital Amount”	<p>the aggregate amount as at the close of business on the date of Completion of the Target Group’s:</p> <ul style="list-style-type: none">(a) non-current assets (no re-valuation or depreciation or impairment of such assets shall be carried out for purpose of assessment of Working Capital Amount); and(b) current assets (including stock of properties, and no re-valuation or write-down of such stock shall be carried out for purpose of assessment of Working Capital Amount) <p>LESS the aggregate amount as at the close of business on the date of Completion of the Target Group’s:</p> <ul style="list-style-type: none">(a) current liabilities (but excluding the Intra-group Payables and the Yangkou Port Debt);(b) non-current liabilities (but excluding the Sale Loan); and(c) non-controlling interests
“Working Capital Shortfall”	the amount (if any) by which the Working Capital Amount is less than the Working Capital Target

DEFINITIONS

“Working Capital Surplus”	the amount (if any) by which the Working Capital Amount exceeds the Working Capital Target
“Working Capital Target”	RMB380,931,946, which is determined as follows: the aggregate amount as at 31 July 2022 of the Target Group’s: (a) non-current assets; and (b) current assets LESS the aggregate amount as at 31 July 2022 of the Target Group’s: (a) current liabilities (but excluding the Intra-group Payables and the Yangkou Port Debt); (b) non-current liabilities (but excluding the Shareholder’s Loan); and (c) non-controlling interests
“Xinghua”	Xinghua Public Spa Resort Investment Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, an indirect wholly-owned subsidiary of the Company
“Yangkou Port Co”	江蘇洋口港投資開發有限公司 (Jiangsu Yangkou Port Development and Investment Co., Ltd.*), a limited liability company established under the laws of the PRC, in which the Group holds 9.9% equity interest as at the Latest Practicable Date
“Yangkou Port Debt”	the debt in sum of RMB20,000,000 owed by Jiangsu Yangtong to Yangkou Port Co
“Yangtong Group”	Jiangsu Yangtong and its subsidiaries
“%”	per cent

* For identification purposes only

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1.00 to HK\$1.17. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

LETTER FROM THE BOARD



Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

William GILES
YU Chung Leung
LAM John Cheung-wah

*Principal place of business
in Hong Kong:*

Suites 2801-03, 28th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

26 January 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
DISPOSAL OF THE SALE SHARE AND ASSIGNMENT OF
THE SALE LOAN OF THE TARGET COMPANY
AND
NOTICE OF SPECIAL GENERAL MEETING**

THE DISPOSAL

Reference is made to the announcement of the Company dated 27 December 2022 in relation to the Disposal.

On 24 December 2022, the Purchaser and the Vendor (a direct wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell the Sale Share and to assign the Sale Loan to the Purchaser (or its nominee), and the Purchaser (or its nominee) has conditionally agreed to acquire the Sale Share and take up the assignment of the Sale Loan at the Consideration of HK\$406,000,000 (subject to adjustment).

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Target Group.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreement and the Disposal; (ii) financial information of the Group; (iii) the business valuation report of the Target Group; (iv) the property valuation report (the “**Property Valuation**”) on the property interests held by the Target Group; and (v) the notice of SGM.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

24 December 2022

Parties

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

The Purchaser is incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, the Purchaser is ultimately beneficially owned as to 50% by Dr. Chan Kwok Keung, Charles (“**Dr. Chan**”) and 50% by Mr. Chan Chung On (“**Mr. Chan**”).

Dr. Chan has over 41 years of international corporate management experience in the construction and the property sectors, as well as in strategic investments. He has been an executive director and joint vice chairman of ITC Properties Group Limited (stock code: 199), a company listed on the Main Board of the Stock Exchange, since November 2021.

Mr. Chan has over 30 years of experience in the construction and property sectors. He is the managing director of Unicon International Holdings Limited (“**Unicon**”) which is incorporated in Hong Kong. Unicon and its subsidiaries are principally engaged in the production of precast concrete units, precast concrete pipe, gully box and partition panel wall.

The Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

The Sale Share represents the entire issued share of the Target Company. The Sale Loan represents the entire sum owing by the Target Company to the Vendor as at the Completion Date.

LETTER FROM THE BOARD

The Consideration

The Consideration for the Sale Share and the Sale Loan shall be HK\$406,000,000 (of which the consideration for the Sale Loan shall be an amount equal to the Sale Loan on a dollar for dollar basis provided that if the face value of the Sale Loan exceeds the amount of the Consideration, the consideration of the Sale Loan shall be capped at the Consideration amount minus HK\$1.00, and the consideration for the Sale Share shall be an amount equal to the Consideration less the consideration for the Sale Loan) of which:

- (i) a sum of HK\$60,900,000 as refundable deposit (the “**Deposit**”) is payable by the Purchaser to the Vendor’s designated account (the “**Vendor’s Designated Account**”) on or before 16 January 2023; and
- (ii) the remaining balance of HK\$345,100,000 is payable by the Purchaser to the Vendor’s Designated Account upon Completion.

The Deposit had been settled on 12 January 2023.

All payments to be made thereunder shall be made by a cheque drawn on a licensed bank in Hong Kong or by banker’s draft(s) or cashier order(s) of the licensed banks in Hong Kong or by wiring/telegraphic transfer and validating the fund to the Vendor’s Designated Account.

Adjustment of the Consideration

The Vendor shall prepare and deliver to the Purchaser within 28 Business Days after the Completion Date the Completion Accounts, which shall be prepared in accordance with Hong Kong Financial Reporting Standards but for the avoidance of doubt, there will not be any revaluation of the Property for the purpose of preparation or audit (where applicable) of the Completion Accounts. The Vendor shall procure access to information be provided, and response to enquiries, to the Purchaser and its authorised representatives, professional advisers and accountants for review of the Completion Accounts.

The Purchaser shall within 21 Business Days after receipt of the Completion Accounts from the Vendor notify the Vendor in writing whether it accepts the Completion Accounts. The Vendor and the Purchaser shall use their respective reasonable endeavours and in good faith to attempt to mutually agree on the Completion Accounts.

In the event that the Purchaser accepts the Completion Accounts and:

- (i) the Working Capital Amount derived from the Completion Accounts shall be less than the Working Capital Target, the Vendor shall pay the Working Capital Shortfall amount to the Purchaser within 7 Business Days of the Purchaser’s acceptance of the Completion Accounts; or
- (ii) alternatively, the Working Capital Amount derived from the Completion Accounts shall exceed the Working Capital Target, the Purchaser shall pay to the Vendor an amount equivalent to the Working Capital Surplus without interest within 7 Business Days of the Purchaser’s acceptance of the Completion Accounts.

LETTER FROM THE BOARD

If the Purchaser does not accept the Completion Accounts and the parties are unable to mutually agree on it after having used their reasonable endeavours, the Vendor shall furnish the Completion Accounts to one firm mutually selected by the parties among the Designated Audit Firms (the “**Auditor**”) and the Vendor and the Purchaser shall jointly cause the Completion Accounts to be audited and the Working Capital Amount to be determined by the Auditor as soon as practicable. The Vendor and the Purchaser shall cooperate with the Auditor and comply with its reasonable requests made in connection with the carrying out of its duties thereof, in particular, without limitation, the Purchaser shall make available to the Auditor the books and records of the Target Group which may have been passed to it on Completion, and the Vendor shall provide to the Auditor all reasonable assistance for such purpose.

The Auditor shall act as an expert and not as an arbitrator and their decision shall be final and binding on both the Vendor and the Purchaser. The costs and expenses incurred of and incidental to such audit and determination shall be borne by the Vendor and the Purchaser in equal shares.

If the Working Capital Amount derived from the audited Completion Accounts shall be less than the Working Capital Target, the Vendor shall pay the Working Capital Shortfall amount to the Purchaser within 7 Business Days of the production of the audited Completion Accounts by the Auditor.

If the Working Capital Amount derived from the audited Completion Accounts shall exceed the Working Capital Target, the Purchaser shall pay to the Vendor an amount equivalent to the Working Capital Surplus without interest within 7 Business Days of the production of the audited Completion Accounts by the Auditor.

Basis of the Consideration

The Consideration of HK\$406,000,000 was arrived at after arm’s length negotiations between the parties to the Agreement on normal commercial terms and making reference to (i) the Appraised Value (as defined below) of RMB343 million (or equivalent to approximately HK\$401.3 million); (ii) the unaudited consolidated net liabilities of the Target Group as at 31 July 2022 attributable to owners of the Company of approximately HK\$350.1 million; (iii) the Shareholder’s Loan of approximately HK\$772.2 million as at 31 July 2022; and (iv) the reasons for and benefits of the Disposal as stated under the section headed “REASONS FOR AND BENEFITS OF THE DISPOSAL” below.

The Company has engaged Ravia Global Appraisal Advisory Limited (the “**Valuer**”) to conduct a business valuation of the Target Group (the “**Business Valuation**”) as at 31 July 2022. Based on the Business Valuation, the aggregate appraised value of the entire issued share capital of the Target Group and the Shareholder’s Loan was RMB343 million (or equivalent to approximately HK\$401.3 million) as at 31 July 2022 (the “**Appraised Value**”). For the purposes of compliance with the Listing Rules, the Business Valuation and the Property Valuation have been updated to a record date of 31 October 2022, the text of which are reproduced in Appendix II and Appendix III to this circular respectively.

Given that the Consideration is slightly above the Appraised Value, the Directors consider that the Consideration is fair and reasonable.

LETTER FROM THE BOARD

Reference is made to the Previous Circular in relation to the Previous Proposed Disposal. According to the business valuation report of the Target Group as included in the Previous Circular, the aggregate appraised value of the entire issued share capital of the Target Company plus the amount due by the Target Company to its ultimate holding company was approximately RMB686.5 million as at 30 September 2021 (the “**Previous Value**”).

Having assessed both the previous valuation as at 30 September 2021 and the Business Valuation as at 31 July 2022, the Board concluded that there has been no change in valuation methodologies and parameters adopted in the valuations and considered that the difference between the Previous Value and the Appraised Value of approximately RMB343.2 million (the “**Difference**”) is mainly attributable to the following factors:

- (i) *Difference in the market value of the Property located at the west of the Outer Gate, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC*

Approximately RMB224.9 million or approximately 65% of the Difference is attributable to the decrease in the market value of the Property (other than Linkspring Fun World) arising from (a) increase in further site levelling costs for the two lands under levelling work and (b) decrease in unit price of comparable land parcels. In determining the market value of the two lands under levelling work, the Valuer has made reference to the site levelling cost reports issued by an independent registered real estate appraiser in June 2022. In preparing the site levelling report, the independent registered real estate appraiser has performed research and made reference to (i) an annual cost report of an independent leading quantity surveying consultancy firm issued in December 2021 (which is the latest published version at the time of issuing the site levelling report); and (ii) the prevailing local market information including but not limited to Jiangsu Construction Cost Database (<http://www.jszj.com.cn>) and Jian Cai Zai Xian (<http://jc.net.cn/>) with the latest available data up to March 2022, to determine the material cost, labour cost, contractors’ cost, transportation cost and construction machinery cost for site levelling.

The total amount of site levelling costs as determined by such independent registered real estate appraiser has increased by approximately 20% as compared to the total site levelling costs as assumed in the previous valuation which were estimated by the Company’s technical team involving qualified builders and quantity surveyors with reference to the historical costs incurred for same kind of works undertaken in other part of the Land. Such increase was mainly attributable to the increase in the material cost, labour cost, contractors’ cost, transportation cost, construction machinery cost and other ancillary costs for site levelling. The surge in labour cost, contractors’ cost, transportation cost, construction machinery cost and other ancillary costs was primarily driven by the stringent prevention and control measures enforced across the cities in the PRC to combat the novel coronavirus disease epidemic. The lockdown policies and various restrictions have (i) severely disrupted the logistics across the PRC, escalating the transportation costs and the construction machinery costs; and (ii) led to a shortage of labour, resulting in extra labour costs, contractors’ costs and other ancillary costs to be incurred from the outsourcing of the levelling work. Further, the increase in the material cost is mainly driven by the soaring prices of sand and soil which are the major materials used in the levelling work. As a result of the recent stagnant property development activities, the amount of by-products (especially sand and soil) from property development work which are suitable for land levelling use for the Land has decreased significantly, giving rise to the soaring prices of such materials.

LETTER FROM THE BOARD

Approximately RMB76.5 million or approximately 23% of the Difference is attributable to the decrease in the market value of a land parcel developed into Linkspring Fun World. Since the completion acceptance of Linkspring Fun World in late 2021, the operating results of the water park is far below the Company's expectation and it has recorded operating loss as adversely affected by the impact of COVID-19 pandemic public health measures and travel restrictions as well as the overall cooldown of the economic development in the PRC. The unsatisfactory operating results coupled with the gloomy outlook for the recreational and tourism industry as a result of the impact of COVID-19 pandemic give rise to the plunge in the market value for the land parcel developed into Linkspring Fun World.

In the cost approach, economic obsolescence is one of the factors considered, which means, the value loss of the property caused by adverse conditions external to the property such as industry economics, regulatory changes, reduced demand etc. Thus, the gloomy current situation (which reflected in the operating loss) and outlook for the recreational and tourism industry were accounted as an economic obsolescence. In other words, under the current situation of the recreational and tourism industry and the gloomy uncertainty of the future prospective, under the market value concept, the potential open market willing buyers of the property would reasonably look for a discount in order to facilitate the transaction of the property as at the valuation date.

Under the ongoing COVID-19 pandemic, the recreational and tourism industry has been deeply and adversely affected and the outlook of recreational and tourism industry is gloomy. Under such circumstances, the actual daily visitor number of Linkspring Fun World in 2022 achieved only about 18% in average of the projected number. Given the substantial under-performance of Linkspring Fun World in terms of visitor number, the Board considers that it is reasonable to assume a substantial discount on the market value of the Linkspring Fun Word property.

(ii) *The operating loss incurred by the Target Company*

Approximately RMB42.3 million or approximately 12% of the Difference is attributable to the operating loss incurred by the Target Group. Irrespective of write down of stock of properties, fair value changes of investment properties and impairment of property, plant and equipment, the Target Group has recorded an average monthly operating loss of approximately HK\$4.7 million during the four months ended 31 July 2022. The Target Group recorded a revenue of approximately HK\$92.2 million for the year ended 31 March 2021 which was derived from sale of properties. During the year ended 31 March 2022 and the four months ended 31 July 2022, the Target Group did not generate revenue owing to the fact that no property was sold during such periods. The operating loss was reflected in the drop in the working capital of the Target Group. The net current assets of the Target Group decreased from approximately HK\$561.8 million as at 31 March 2021 to approximately HK\$437.3 million as at 31 March 2022, and further to approximately HK\$373.1 million as at 31 July 2022. With such decrease in net current assets and thus the net assets value of the Target Group, the fair value of the assets of the Target Group decreased accordingly given the asset-based approach as adopted in the valuations.

LETTER FROM THE BOARD

Conditions Precedent

The Disposal shall be conditional upon fulfilment of the following conditions:

- (a) the SGM having been duly convened at which resolutions shall have been passed by the Shareholders, by way of poll to approve the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (b) if applicable, the obtaining of all consents from any relevant government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transactions contemplated thereunder;
- (c) the Purchaser being satisfied that on or before Completion, the Vendor's Warranties remain true and accurate in all material respects and are not misleading or in breach in any material respect;
- (d) the Vendor having, in a form satisfactory to the Purchaser, discharged or procured to discharge all liabilities (including any accrued interest) in respect of the Intra-group Payables and the Yangkou Port Debt;
- (e) the Company having, in a legal manner, assigned all amounts owing by the Target Company to the Company and its rights, title, benefits and interests thereof and therein unto the Vendor and there is no debt between any Target Group Company on the one hand and the Company on the other hand as at Completion; and
- (f) no Material Adverse Change having occurred before Completion.

Conditions (c), (d), (e) and (f) are waivable at the sole discretion of the Purchaser. If the above conditions have not been waived (where applicable) or fulfilled on or before the Long Stop Date (or the extended Long Stop Date), the Agreement shall cease and determine whereupon the Vendor shall refund the Deposit in full (but without any interest) to the Purchaser (or its nominee) and thereafter neither party thereto shall have any obligations and liability towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions have been fulfilled or waived by the Purchaser.

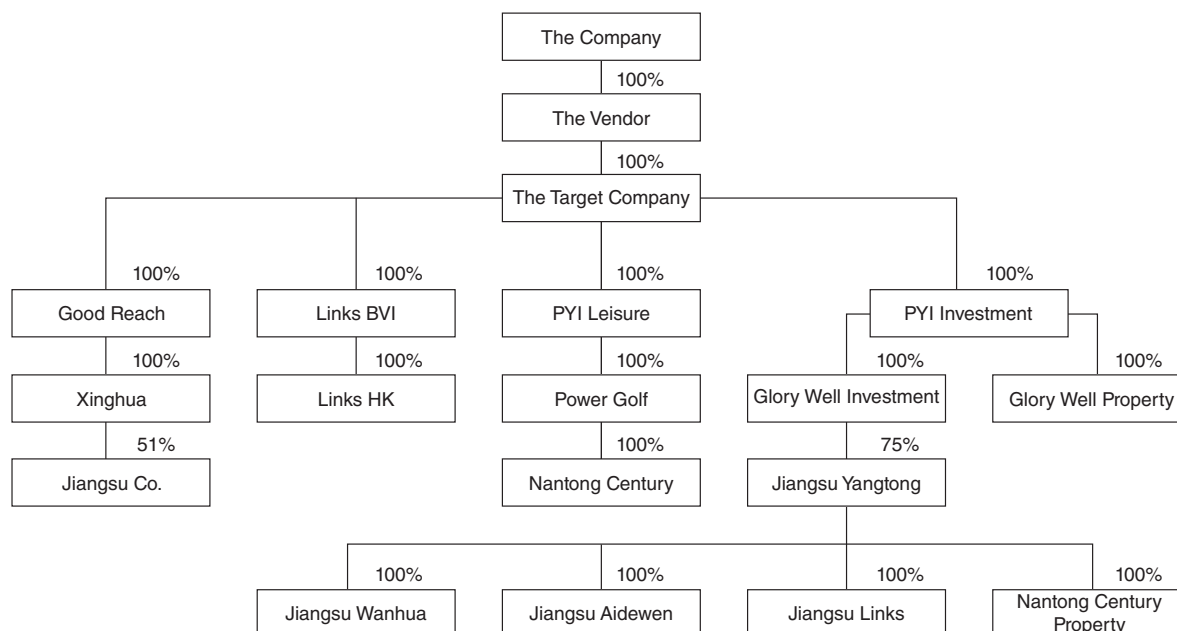
Completion

Upon fulfilment (or waiver where applicable) of all the conditions set out in the section headed "Conditions Precedent" above, Completion shall take place on the Completion Date (or at such time as the parties thereto may otherwise agree in writing).

LETTER FROM THE BOARD

INFORMATION OF THE TARGET GROUP

The following diagram illustrates the shareholding structure of the Target Group prior to Completion:



The Target Company is a limited company incorporated in the BVI which is directly wholly-owned by the Vendor. The Target Company is an investment holding company. The Target Group is principally engaged in (i) development, investment and sale of properties; (ii) development of a sport recreation project; and (iii) exploitation of hot springs and development of recreational facilities at Xiao Yangkou.

The principal assets of the Target Group mainly comprise the Land, which is 11.42 sq. km. (equivalent to 17,130 mu) land bank situated at the west of the Outer Gate of Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC. The Land has been held by certain operating subsidiaries of the Target Group, namely, Jiangsu Yangtong, Jiangsu Co., Nantong Century Property and Nantong Century.

The Land has been planned by the Target Group as a regional tourism site of national standard with hot spring and recreational facilities. The subdivided land parcels on the Land have to complete the reclamation and land levelling process to convert them into developed land such that they will be ready for further development purpose and for sale to external parties.

As at the Latest Practicable Date, approximately 6.81 sq. km. (equivalent to 10,215 mu) out of 11.42 sq. km. (equivalent to 17,130 mu) of the Land (i.e. approximately 60%) had reached the developing stage or the developed and serviced stage, which the Group has commenced land levelling work on the Land since 2006.

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Currently, the Target Group has four developed properties utilising an aggregate land area of 0.086 sq. km. (equivalent to 129 mu), including (i) a tourist hotel (known as Links Spa Hotel) completed in 2013 and featured with comprehensive spa facilities which is held by Nantong Century Property as stock of property for sale; (ii) various villa type hotel buildings and ancillary facilities (known as Villa Hotel) completed in 2012, which are held by Jiangsu Yangtong as stock of property for sale; (iii) an office building completed in 2014 which has been occupied by the Target Group since then; and (iv) an indoor hot spring water park (known as Linkspring Fun World) completed in late 2021, which is held by Jiangsu Co.. No development scheme is mulled for the remaining land parcel with a total area of 11.334 sq. km. (representing the total area of the Land of 11.42 sq. km. less the utilised land area of 0.086 sq. km.).

Financial Information of the Target Group

As at the Latest Practicable Date, the Target Group comprises Profit Tycoon Group and Yangtong Group.

Following the Reorganisation completed in April 2021, Yangtong Group has become a member of the Target Group.

Set out below are the unaudited consolidated financial information of the Target Group, which was prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as if the present shareholding structure of the Target Group had been in place throughout the two years ended 31 March 2022 and seven months ended 31 October 2022:

	For the seven months ended 31 October 2022	For the year ended	
	(Unaudited)	31 March 2022	31 March 2021
	<i>HK\$'000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	185,048	673,249	923,932
Loss after taxation	167,353	518,417	568,151

Based on the unaudited consolidated financial information of the Target Group, the unaudited consolidated net liabilities of the Target Group as at 31 October 2022 attributable to owners of the Company before adjusted for the Acquisition Premium (as defined below) was approximately HK\$483.8 million.

THE BUSINESS VALUATION

In determining the fair value of the entire issued share capital of the Target Group and the Shareholder's Loan, the Valuer has adopted the asset-based approach as its valuation methodology. All assets and liabilities as shown in the unaudited consolidated financial statements of the Target Group as at 31 October 2022 were involved in the Business Valuation. The principal assets of the Target Group, being the Land (recorded as investment properties, project under development, right-of-use assets and stock of properties in the unaudited consolidated financial statements of the Target Group), have been restated to their respective fair values which have been determined by the market approach.

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In determining the fair value of the Land as at 31 October 2022, the Valuer has primarily made reference to the comparable transactions identified based on the following selection criteria:

- (i) land uses of the comparable land parcels are consistent with the permissible land uses or uses that have been concurred by the local government of the Land;
- (ii) the comparable residential land parcels are situated in Yangkou Port Economical Development District within Rudong County and the comparable commercial land parcels are situated in Yangkou Village and Yangkou Port Economical Development District within Rudong County, all of which are within 50 kilometre radius of the subject properties (*Note*); and
- (iii) the comparable transactions were concluded in the year of 2019 to 2022.

Note: Given that (i) the land parcels with recreational and tourism uses are classified as commercial land use; and (ii) the number of land parcels with the recreational and tourism land use granted is very limited in Jiangsu Province, the Valuer has adopted comparable commercial land parcels and did not adopt comparable recreational and tourism land parcel as there is no land parcels with the recreational and tourism land use granted in the vicinity of the subject properties being valued.

In selecting comparable transactions, the Valuer has primarily taken into account the transactions which were in the vicinity of the subject properties being valued. It has limited the location of comparable transactions within Rudong County, Nantong City, Jiangsu Province, the PRC, which are considered to be the most relevant to the comparable analysis. Given the limited number of comparable transactions conducted in the year of 2022, the Valuer has enlarged the timespan (i.e. the year of 2019 to 2022) so as to form a fair list with a more meaningful and representative sample size for the comparable analysis. Time factor adjustments have been applied to reflect the value of the comparable transactions had the transactions been conducted in the assessment year (i.e. the year of 2022). On the best-effort basis, the Valuer has identified an exhaustive list of 8 comparable transactions that have met the aforesaid selection criteria, including 4 transactions of commercial land parcels and 4 transactions of residential land parcels.

The analyses of the Business Valuation are subject to specific representations by the management of the Company, the management of the Target Group and/or their representative(s) (the “**Management**”) and certain principal assumptions that are considered necessary and appropriate for adoption, which are summarised below:

- (i) the information provided and the representations made by the Management with regard to the Target Group’s financial and business affairs are accurate and reliable;
- (ii) the Target Group will continue to operate as a going concern;
- (iii) the Target Group has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;

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- (iv) there will be sufficient supply of technical staff in the industry in which the Target Group operates or intends to operate, and the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- (v) there will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- (vi) there will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group;
- (vii) there will be no material changes in the relevant interest rates and exchange rates that would impact the Target Group's business; and
- (viii) there are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Group as of 31 October 2022.

In case actual events do not accord with one or more of the above assumptions, the resulting value of the Target Group may vary substantially from the aggregate appraised value of the entire issued share capital of the Target Group and the Shareholder's Loan as of 31 October 2022.

When adopting the asset-based approach to value the Target Group, the market approach was adopted to value the portions of the Land for which land sale procedures have yet to be completed have been valued subject to the following specific assumptions:

- (i) They are permitted for tourist and resort use for a term of not less than 40 years (being the maximum term of tourist land use rights under the prevailing land law) commencing from the valuation date;
- (ii) They have completed the land sale procedures as administrated by the local government such that they are freely transferrable on the market throughout the unexpired term of its land use rights; and
- (iii) The total amount of prescribed levies payable to the government for the completing land sale procedures as estimated in accordance with the relevant rules and regulations of the government and the preferential terms granted by the government to Jiangsu Yangtong at a total amount of approximately RMB520,000,000 and this estimated amount has been allowed in the valuation of the Land.

The Board has reviewed the Property Valuation and discussed with the Valuer in relation to the methodologies adopted for and the basis and assumption used in arriving the fair value of the Property.

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The Board understands that in valuing the Property, the market approach was primarily adopted by the Valuer for the valuation of majority of the Property, by making use of the comparison method where comparison based on price information of comparable is made. The Board understands from the Valuer that, for the property which has developed into Linkspring Fun World, due to the specific purpose for which most of the buildings and structures of such property have been constructed, there are no readily identifiable market comparables. Thus, the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost (“**DRC**”) approach is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. As confirmed by the Valuer, DRC approach may be used as a substitute for the market value of specialized property given the lack of market comparables available, and both the market approach and the DRC approach are commonly adopted approaches for valuation of land and property and are also consistent with normal market practice. The Board is of the view that the valuation methods adopted by the Valuer to valuing the Property are fair and reasonable.

The Board has reviewed the comparable transactions adopted by the Valuer, and the Directors noted that (i) the comparable lands with similar characteristics to the Land including location, size, plot ratio and land use right term; and (ii) the comparable properties are located in the vicinity of the Property and with consistent permissible land uses or uses that have been concurred by the local government of the Land. As confirmed by the Valuer, the land and properties comparables represent an exhaustive list to the best of their knowledge. As such, the Board is of the view that the comparables selected by the Valuer are fair and representative samples for direct comparison purpose.

Having reviewed and discussed with the Valuer the bases and assumptions adopted for the valuation of the Property, the Board considers that the valuation assumptions adopted by the Valuer are fair and reasonable and the basis used is a normal one for valuing land and property.

BACKGROUND OF THE ENTERING INTO OF THE AGREEMENT

(A) Lapse of the Previous Agreement

References are made to (i) the Previous Circular; (ii) the announcements of the Company dated 18 January 2022, 14 July 2022, 3 August 2022, 23 August 2022, 2 September 2022, 26 September 2022, 26 October 2022, 8 November 2022 and 8 December 2022 in relation to, among other things, the extension of the long stop date in respect of the Previous Proposed Disposal and/or the negotiation on the modification of terms of the Previous Proposed Disposal between the parties to the Previous Proposed Disposal; and (iii) the announcement of the Company dated 27 December 2022 in relation to the lapse of the Previous Agreement.

Save for the conditions in relation to the Shareholders’ approval at the special general meeting and the release and discharge of the Corporate Guarantee, none of the other conditions precedent to the Previous Proposed Disposal had been waived (where applicable) or fulfilled as at 23 December 2022 (being the extended long stop date of the Previous Proposed Disposal). As disclosed in the announcement dated 27 December 2022, the conditions precedent to the completion of the Previous Proposed Disposal had not been waived (where applicable) or fulfilled on or before the extended long stop date, the Previous Agreement lapsed and ceased on 23 December 2022 and neither party to the Previous Agreement had any obligations and liability toward each other thereunder. Neither party has

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committed any antecedent breaches of the terms of the Previous Agreement and there are no dispute, controversy or claim arising out of or relating to the Previous Agreement or the transactions contemplated thereunder.

(B) Background of the Previous Proposed Disposal

Reference is made to the Previous Circular in respect of the Previous Proposed Disposal which was approved by the Shareholders at the special general meeting on 18 January 2022. Amidst the Covid resurgence driven by the Omicron variants in Hong Kong beginning in February 2022 and subsequently fermented in the PRC with the stringent mobility and quarantine measures in both Hong Kong and the PRC (in particular, the lockdown in Shanghai) in the second and third quarters of 2022, the Company had been putting tremendous effort into smoothening the completion by fully cooperating with the Former Purchaser in its due diligence exercise and making all attempts to fulfil the conditions precedent. In the first quarter of 2022, the Target Company had been liaising with the bank in respect of the arrangement of the release and discharge of the Corporate Guarantee (including the procedures and relevant bodies involved and tentative timetable thereof). After much deliberations with the relevant bank and authorities with all relevant documents signed, the Corporate Guarantee was released and discharged in March 2022, with the supporting document obtained from the bank in August 2022. Moreover, the Target Company team had been discussing with the Former Purchaser its development plan including whether the construction land quotas for the 1,000 mu Land, which was a condition precedent in the Previous Agreement, conformed with its requirement (the “**1,000 mu Land Requirement Confirmation**”) and if it is in line with the master plan of the Land endorsed by the Municipal Government of Jiangsu Province and the Vendor had been waiting for the Former Purchaser’s 1,000 mu Land Requirement Confirmation. The Former Purchaser indicated that its confirmation was subject to the site visit and ongoing due diligence undertaken which had not yet completed. The 1,000 mu Land Requirement Confirmation had not been received by the Vendor from the Former Purchaser.

The Vendor had been fully cooperative with the Former Purchaser in good faith and timely provided the due diligence documents as requested by the Former Purchaser. During the course of the prolonged due diligence exercise, the Former Purchaser had put forward, among others, key findings associated with certain potential risks in respect of the land use right of the Land and income entitlement by Jiangsu Yangtong after deduction of prescribed levies from the land sales (the “**Findings**”), which the Board held disparity in view, having consulted its PRC legal adviser (the “**PRC Legal Adviser**”).

The PRC legal adviser in its preliminary opinion in respect of the Findings confirmed the legality and validity of the land use right of the Land granted to Jiangsu Yangtong by the PRC government, particularly in light of the fact that Jiangsu Yangtong had paid relevant consideration and had been granted the relevant right of use, after completion of reclamation of the Land. The PRC Legal Adviser also opined that the income entitlement of Jiangsu Yangtong pursuant to the General Agreement is in compliance with the PRC laws and therefore the risks of such income being deemed to be a refund of proceeds directly derived from the land sales as well as the chance of recovery by the PRC government are relatively remote.

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In light of the dragging situation in connection with the non-fulfilment of the outstanding conditions precedent in the Previous Agreement (in particular, the Former Purchaser's satisfaction with the results of the due diligence, the Vendor's obtainment of detailed regulatory planning approval and construction land quotas in respect of the 1,000 mu Land which were subject to the Former Purchaser's 1,000 mu Land Requirement Confirmation), the parties further discussed and attempted to work out a feasible solution. After a lengthy negotiation and discussion of the terms of the Previous Agreement taking into account the drastic adverse changes in economic climate affecting both parties, the Vendor and the Former Purchaser had then come to the proposal to modify certain terms and conditions as set out in the Previous Agreement, including without limitation (i) a proposed internal shareholding restructuring of its holding companies of the Purchaser by introducing a corporate investor as co-investor (the "Co-investor"); (ii) a proposed downward adjustment of consideration to HK\$406,000,000 with 5% deposit payable to an escrow account which would be released to the Vendor upon completion and the remaining 95% (of which, at the option of the Former Purchaser, may be partially paid by way of a promissory note to be issued by the Co-investor) to be paid upon completion; (iii) reassessment and updating the business valuation of the Target Group; (iv) waivers of certain conditions in respect of the due diligence and the obtainment of detailed regulatory planning approval and construction land quotas in respect of the 1,000 mu Land; and (v) deletion of the condition in respect of the release and discharge of the Corporate Guarantee on or before completion.

(C) Entering into of the Agreement with the Purchaser

In light of (i) the prolonged non-fulfilment of the conditions precedent to the completion of the Previous Proposed Disposal as a result of, *inter alia*, the prolonged due diligence process undertaken by the Former Purchaser and regulatory clearance and approval process; and (ii) ongoing negotiation with the Former Purchaser in respect of the less favourable proposed modified terms put forward by the Former Purchaser, the Company had been searching for new purchaser(s) and approached more than five potential qualifying purchasers in various social occasions during the second half of 2022 including companies which are principally engaged in, *inter alia*, the property development and asset/fund investment and high-net-wealth individual investors who possess extensive experience in the property development and investment. None of the potential purchasers and investors approached by the Company had shown any interest in acquiring the interest of the Target Company.

Amidst the ongoing negotiations on the proposed modified terms which had yet to be agreed between the Former Purchaser and the Vendor and the then soon fall due extended Long Stop Date on 23 December 2022, Dr. Chan, who is a substantial shareholder and director of the proposed Co-investor, together with his business associate, Mr. Chan, expressed their interests to the Company to take up the entire interest of the Target Company. The Board resolved the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Vendor thus ceased further negotiation with the Former Purchaser on the proposed modified terms and the further extension of long stop date under the Previous Agreement, as a result of which the Previous Agreement lapsed on the expiry of the extended long stop date on 23 December 2022 and thereafter the Vendor entered into the Agreement with the Purchaser, having taken into account the followings:

- (i) the better payment terms offered by the Purchaser as compared against the proposed modified terms put forward by the Former Purchaser, in particular, 15% of the Consideration as the Deposit has been settled in cash by the Purchaser on 12 January 2023 with the remaining balance of the Consideration to be settled in cash upon Completion, whilst the Former Purchaser only proposed to pay 5% deposit to an escrow account to be released to the Vendor on Completion with the remaining balance (which

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may be partially paid by way of a promissory note to be issued by the Co-investor) to be settled upon completion. There will not be any hold back amount by the Purchaser in the Agreement as compared against a total sum of RMB140,000,000 would be held back by the Former Purchaser for, *inter alia*, indemnification on the Vendor's warranties and obtainment of the detailed regulatory planning approval and construction land quotas within the prescribed periods pursuant to the terms of the Previous Agreement;

- (ii) the Company anticipates the Completion will take place more smoothly and efficiently after the SGM, particularly in view of a simpler list of conditions precedent as agreed between the parties without going through another round of prolonged due diligence exercise by the Purchaser which may cause delay to both the Completion as well as the receipt of the Consideration upon Completion;
- (iii) the pessimistic market sentiments on the property market in the PRC and the recent adverse change in macro-economic environment leading to further pressure on the value depreciation of the Property held by the Target Company;
- (iv) the Consideration is determined with reference to the Appraisal Value;
- (v) there may also be a lengthy process for the Company to identify other potential qualified purchasers, during which the Group would continue to incur operating loss attributable to the Target Group and may even be exposed to the risk of further depreciation in the valuation of the Property held by the Target Company as well as its business valuation given the weakening market sentiments on the property market in the PRC and the recent adverse change in macro-economic environment; and
- (vi) given the current extremely adverse market conditions, it would be highly uncertain if the Company might be able to find other potential willing purchaser(s) in the market and, even if a willing purchaser is found, with reference to the past experience dealing with the Former Purchaser, a lengthy period of time would be required to manage the negotiation of the terms with the new potential purchaser(s) and the Company may face similar episodes and challenges (including enquiries on the Findings) in fulfillment of the conditions precedent before completion and has to deal with issues that may have implications in Consideration negotiation.

(D) Comparison of the terms under the Disposal and the Previous Proposed Disposal

The major differences, *inter alia*, in the terms and conditions between the Agreement and the Previous Agreement are summarised below:

(i) The conditions precedent

The following conditions precedent to the completion of the Previous Proposed Disposal no longer exist in the Agreement which will definitely facilitate and expedite the Completion to take place more efficiently:

- the purchaser's satisfaction with the results of due diligence on the Target Company;
- the Vendor's obtainment of the detailed regulatory planning approval and the construction land quotas;

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- investment by and retention of the key management personnel of the Target Company; and
- the Vendor's procurement of the release and discharge of the Corporate Guarantee (which had been subsequently released and discharged in March 2022).

"No Material Adverse Change having occurred before Completion" has been included as a condition precedent pursuant to the Agreement.

(ii) The consideration and payment terms

Though the consideration for the Sale Share and the Sale Loan has been changed from RMB700,000,000 (subject to adjustment) to HK\$406,000,000 (subject to adjustment) due to the decrease in the Appraised Value as elaborated in the paragraph headed "Basis of the Consideration" above, the Consideration is no longer subject to the withholding or deduction of (i) the estimated enterprise income tax on the capital gain of RMB10,000,000; and (ii) the holdback amounts of RMB140,000,000 in aggregate in connection with the Vendor's indemnification obligations regarding its warranties and the Vendor's obligation for obtainment of the detailed regulatory planning approval and construction land quotas, as stipulated in the Previous Agreement.

In respect of the payment term, 15% of the Consideration as the Deposit is payable by the Purchaser on or before 16 January 2023 pursuant to the Agreement, which is more favourable when compared against the Previous Agreement as no deposit is payable therein. In fact, the Deposit had already been settled on 12 January 2023.

(iii) Adjustment of the consideration

The Working Capital Target has been changed from RMB744,471,826 to RMB380,931,946.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group recorded the loss after taxation of approximately HK\$568.2 million, HK\$518.4 million and HK167.4 million for the year ended 31 March 2021, 31 March 2022 and the seven months ended 31 October 2022 respectively. The loss during the year ended 31 March 2021 was mainly attributable to the loss on fair value changes of investment properties and write down of stock of properties held for sale. The losses during the year ended 31 March 2022 and the seven months ended 31 October 2022 were mainly attributable to (i) the loss on fair value changes of investment properties, write down of stock of properties held for sale and impairment of property, plant and equipment; and (ii) the operating loss due to (a) no revenue being generated from sale of properties and (b) the unsatisfactory operating results of Linkspring Fun World. The COVID-19 pandemic has adversely and materially affected the tourism industry in the PRC with stringent public health measures and travel restrictions. Such negative sentiment has been reflected with higher impact on tourist land than urban residential and commercial land in terms of selling prices and transaction volume.

There have been drastic adverse changes in both the PRC property sector with property sales slump and tightening of central government policy and the macro economy as a result of the escalating Sino-US tension. A wave of defaults hard hitting the over-leveraged property developers in the PRC have ripple devastating effect on the property market in the PRC. In the year of 2022, the Hang Seng Properties Index which tracks Hong Kong-listed developers revealed the overall

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downward trend and plunged from its peak of 32,478.53 on 11 February 2022 to its low of 18,623.56 on 31 October 2022, representing a decrease of approximately 43%. An increasing number of financial insolvency of property developers ending up with the process of debt restructuring, a series of credit rating downgrades, and plunge in their share and/or bond price and valuation have put a damper on market sentiment toward the property sector. Certain group of home buyers in multiple cities in the PRC decided to stop paying mortgages in July 2022 because of construction delays and declining real estate values. Coupled with re-emergence of new, highly transmittable variants of COVID-19 leading to more prolonged economic disruptions, the PRC property sales remain weak.

Despite (i) the remedial measures rolled out by the PRC government in November 2022 aiming at relieving the financial pressures of the distressed property developers and rescuing the crisis-hit property sector; and (ii) the recent bounce-back of the Hang Seng Properties Index from its low, the Company maintains its pessimistic view that the property market in the PRC will remain volatile and challenging in the medium-to-long term on the basis that such relief will not fundamentally address the structural imbalance of the property market and the property buyers or investors have turned risk-averse.

The Group has commenced land levelling work on the Land for a long period of time since 2006. In view of the significant size of the Land, land development process of the Land will be a lengthy process. It will also involve substantial cost and time in conducting levelling work by the Target Group for converting land parcels of the Land into developed land such that those land parcels will be ready for further development. The rate of development of the Land will be subject to many elements, such as the government policies, market conditions and internal resources of the Group. Having taken into account the substantial impairment loss on the fair value of the properties held by the Target Group and the pessimistic outlook for the property market in the PRC, the Directors are of the view that the Disposal represents a good opportunity for the Group to realise its investment in the Target Group and to avoid the risk of further potential loss of the Land.

Concurrently, the Group has been exploring opportunities to diversify and broaden its business and investment portfolio by investing in business with optimistic prospect. The Board considers that the cash inflow from the Disposal will provide the Group with the flexibility to seize other suitable business and investment opportunities to optimise the operational efficiency and investment return to the Group.

Based on the foregoing, the Directors consider that the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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BUSINESS OF THE REMAINING GROUP

Prior to the Completion, the Group is principally engaged in, *inter alia*, development and operation of ports, infrastructure, gas distribution and logistics facilities in the PRC (the “**Ports and Logistics Business**”), providing comprehensive engineering and property-related services (the “**Engineering Business**”) through Paul Y. Engineering Group Limited (“**PYE**”) and its subsidiaries, land and property development and investment in the PRC, securities trading and investment, and provision of financing related services.

After the Disposal, the Remaining Group will continue to engage in the Ports and Logistics Business carried out by Hubei Minsheng Liquefied Petroleum Gas Limited (“**Minsheng Gas**”). Minsheng Gas owns and operates the largest liquefied petroleum gas (“**LPG**”) storage-tank farm and a river terminal in midstream of Yangtze River, and has one LPG and four compressed natural gas automotive fueling stations in Wuhan City, the PRC. Given that LNG is more efficient in terms of storage and long-distance transportation as compared to piped natural gas, there is tremendous growth potential for LNG storage and infrastructure development. In consideration of the LNG growth potential, Minsheng Gas intends to seize the opportunity to expand its business by initiating a two-phase development plan to construct new LNG storage tanks and LNG berths catering to domestic transportation and industrial demands. Under the development plan, the LNG storage facilities of Minsheng Gas will be designated as a regional storage and trans-shipment hub for LNG in Hubei Province. As of 30 September 2022, the pre-construction works for the first phase of LNG project had substantially been completed. However, given the lengthy government approval, which is critical to procure project financing in the future, the Remaining Group will adopt a more cautious investment approach to the development plan to mitigate the risk and is considering the possibility of bringing in co-investors for the LNG project. Following the Group’s several staged divestments over the years from 75% to the current 9.9% interest in Yangkou Port Development and Investment Co., Ltd. (“**Yangkou Port Co**”), the residue investment is intended to be held for long-term purpose and is classified as financial assets measured at fair value through other comprehensive income. Given the lack of a stable and attractive dividend policy established in Yangkou Port Co, the Remaining Group will assess its options on this investment based on its value accretion potential.

Subject to and upon the completion of the disposal of 29.75% of the issued share capital in PYE (details of which are set out in the announcement of the Company dated 14 November 2022), the Remaining Group will no longer engage in the Engineering Business by then. However, the Company is open to any business (including the Engineering Business) and/or investment opportunities that provide satisfactory returns to the Remaining Group.

Subsequent to the completion of the disposal of the entire equity interest in 浙江美聯置業有限公司(Zhejiang Midland Property Co. Ltd*) which indirectly holds 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) on 31 October 2022, and after the Disposal, the Remaining Group no longer has any business of land and property development and investment in the PRC. 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. In September 2022, the Group completed a subscription of 25% equity interest in a property investment company which owns certain office premises in Hong Kong (details of which are set out in the announcement of the Company dated 16 September 2022). Further, in November 2022, the Group completed an acquisition of the entire equity interest in and

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shareholder's loan of a property investment company which owns certain office premises and car parking spaces in Hong Kong (details of which are set out in the announcement of the Company dated 27 October 2022).

The Remaining Group will continue the securities trading and investment and provision of financing related services. In view of the recent fluctuation of the securities market, the Remaining Group will adhere to a more cautious and disciplined approach in managing its securities portfolio. The Remaining Group will continue to monitor its securities portfolio and look for investment opportunities with a view to achieving growth in portfolio value in future. The Remaining Group will continue to explore business opportunities in the financial services business, including the provision of loan financing, financial related services and cash management, under a prudent credit strategy and capitalise on the expertise and competitive strength of other sophisticated industry participants through partnerships, with a view to contributing a stable and favorable income stream to the Remaining Group.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As at the Latest Practicable Date, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Target Company and the results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

For illustrative purpose, assuming Completion has taken place on 31 October 2022, it is estimated that the Company will realise an unaudited gain on the Disposal of approximately HK\$5.3 million, which is calculated as follows:

	<i>HK\$'000</i>
Consideration	406,000
Adjustment to the Consideration (being Working Capital Shortfall at 31 October 2022)	(10,645)
Adjusted net asset value of the Target Group at 31 October 2022	(387,410)
Other expenses in relation to the Disposal	(10,000)
Reclassification adjustment of translation reserve upon the Disposal	<u>7,305</u>
Gain on the Disposal	<u><u>5,250</u></u>

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The adjusted net asset value of the Target Group as at 31 October 2022 is arrived at as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited consolidated net liabilities of the Target Group as at 31 October 2022 before adjusted for acquisition premium adjustment on the net asset value of the Target Group in the book of the Company arisen from acquisition of equity interest in the Target Group by the Company in prior years (“ Acquisition Premium ”)	(395,166)	
Adjusted for:		
Acquisition Premium	<u>102,563</u>	
Unaudited consolidated net liabilities of the Target Group as at 31 October 2022		(292,603)
<i>Less:</i>		
Non-controlling interests	(88,663)	
Adjusted for:		
Acquisition Premium shared by non-controlling interest	<u>(25,641)</u>	
Non-controlling interests		<u>(114,304)</u>
Unaudited consolidated net liabilities of the Target Group as at 31 October 2022 attributable to the owners of the Company		(406,907)
<i>Add:</i>		
Shareholder’s Loan as at 31 October 2022		772,242
Yangkou Port Debt		<u>22,075</u>
Adjusted net asset value of the Target Group as at 31 October 2022		<u><u>387,410</u></u>

Note: The exchange rate adopted for the calculation is HK\$1.00 = RMB0.906 which was approximately the prevailing exchange rate as at 31 October 2022.

The Acquisition Premium as referred above represents the excess of the Group’s acquisition cost over the net asset value of the then investment holding company of Jiangsu Yangtong acquired by the Group during the period from April 2004 to April 2006, of which the amount of approximately RMB93 million (equivalent to approximately HK\$103 million) was allocated to the Property after netting off relevant deferred tax liabilities of approximately RMB107 million (equivalent to approximately HK\$118 million) in accordance with the prevailing tax regime of the PRC. The Acquisition Premium shared by the non-controlling interest in pro-rata to the 25% equity interest of Jiangsu Yangtong held by the non-controlling shareholder is approximately RMB23 million (equivalent to approximately HK\$26 million). The aforesaid calculation basis of the Acquisition Premium has been consistently applied in the preparation of the Group’s consolidated financial statements since April 2004.

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The estimated gain to be derived from the Disposal of approximately HK\$5.3 million has not taken into account the potential tax impact upon Completion. However, Shareholders should note that the actual financial effect as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

The net proceeds of the Disposal (subject to adjustment) are approximately HK\$385.4 million, after deducting the transaction costs and expenses. The Company intends to apply such proceeds for (i) the operation and expansion of other businesses of the Group, including the Ports and Logistics Business; (ii) potential business and investment opportunities which may arise from time to time, including but not limited to the property investment and acquisition of interest in other prospective businesses so as to expand and diversify its existing business portfolio and broaden its source of income; (iii) repayment of the Company's indebtedness; and (iv) general working capital of the Group. The Group is open to any potential opportunities that provide satisfactory returns to the Group and the Group has been approached by various potential investors at times. The Company is in the process of conducting due diligence on these potential investments from time to time and, as at the date of the Latest Practicable Date, the discussions and negotiations in respect of the potential investment(s) are still in a preliminary stage and no memorandum of understanding or definitive agreement has been entered into.

Having taken into account the net proceeds of the Disposal (subject to adjustment) of approximately HK\$385.4 million and the unaudited adjusted net asset value of the Target Group as at 31 October 2022 of approximately HK\$387.4 million, it is estimated that upon Completion, the total assets, total liabilities and non-controlling interests of the Group will decrease by approximately HK\$844.8 million, HK\$728.4 million and HK\$114.3 million respectively, while the net assets of the Group will decrease by approximately HK\$2.1 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant applicable percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is accordingly subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed "Conditions Precedent" in this circular, including the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

SGM

The SGM will be held at Sky Blue, Shop 301, 3/F, Harbour North (Phase 1), North Point, Hong Kong, Hong Kong on Monday, 13 February 2023 at 10:30 a.m., the notice of which is set out on pages SGM-1 to SGM-4 of this circular.

For the purpose of ascertaining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 8 February 2023 to Monday, 13 February 2023, both dates inclusive, during which period no transfer of share(s) of the Company will be registered. In order to be eligible to attend and vote at the SGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the branch share registrar and

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transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 7 February 2023.

Pursuant to Rule 13.39(4) of the Listing Rules, the ordinary resolution proposed at the SGM will be put to vote by way of poll.

A form of proxy for use by the Shareholders at the SGM is enclosed. If you do not intend to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Disposal or is required to abstain from voting at the SGM. In addition, none of the Directors has a material interest in the Disposal and accordingly no Director has abstained from voting on the Board resolution(s) to approve the Disposal.

RECOMMENDATION

The Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The English text of this circular, the notice of the SGM and the form of proxy for use at the SGM shall prevail over the Chinese text in case of inconsistency.

By Order of the Board

Blue River Holdings Limited

SAM Hing Cheong
Vice Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 March 2020, 2021 and 2022 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Group (www.blueriverholdings.com.hk).

- The annual report of the Group for the year ended 31 March 2020 dated 26 June 2020 (pages 104 to 281);

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0728/2020072800527.pdf>

- The annual report of the Group for the year ended 31 March 2021 dated 29 June 2021 (pages 130 to 302);

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0727/2021072700929.pdf>

- The annual report of the Group for the year ended 31 March 2022 dated 29 July 2022 (pages 147 to 370); and

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0818/2022081800319.pdf>

- The interim report of the Group for the six months ended 30 September 2022 dated 29 November 2022 (pages 36 to 88).

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1222/2022122200425.pdf>

2. INDEBTEDNESS

At the close of business on 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding (i) bank borrowings of approximately HK\$306 million, of which approximately HK\$217 million were secured and guaranteed; approximately HK\$67 million were secured and unguaranteed; and approximately HK\$22 million were unsecured and guaranteed and (ii) other borrowings of HK\$649 million, of which approximately HK\$568 million were secured and unguaranteed; approximately HK\$34 million were unsecured and guaranteed; and approximately HK\$47 million were unsecured and unguaranteed. The secured borrowings were secured by charges on certain of the Group's assets, including property interests, right-of-use assets and property, plant and equipment.

In addition, the Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 31 December 2022, the Group had lease liabilities of approximately HK\$18 million of which approximately HK\$13 million are secured by rental deposits and unguaranteed, and the remaining amounts are unsecured and unguaranteed.

As at 31 December 2022, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, at the close of business on 31 December 2022, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or contingent liabilities.

Foreign currency amounts have been translated into HK\$ at the rates of exchange prevailing at the close of business on 31 December 2022. The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 31 December 2022.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that the working capital available to the Group is sufficient for the Group's present requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances after taking into account: (i) the internal resources of the Group; (ii) the available credit facilities of the Group; and (iii) the Disposal.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that they are not aware of any material adverse change in the financial position of the Group since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Ports and Logistics

Given that liquefied natural gas ("LNG") is more efficient in terms of storage and long-distance transportation as compared to piped natural gas, there is tremendous growth potential for LNG storage and infrastructure development. In consideration of the LNG growth potential, Hubei Minsheng Liquefied Petroleum Gas Limited ("**Minsheng Gas**") intends to seize the opportunity to expand its business by initiating a two-phase development plan to construct new LNG storage tanks and LNG berths catering to domestic transportation and industrial demands. Under the development plan, the LNG storage facilities of Minsheng Gas will be designated as a regional storage and trans-shipment hub for LNG in Hubei Province. As of 30 September 2022, the pre-construction works for the first phase of LNG project had substantially been completed. However, given the lengthy government approval, which is critical to procure project financing in the future, the Group has been taking a more cautious investment approach to the development plan to mitigate the risk and is considering the possibility of bringing in co-investors for the LNG project.

Following the Group's several staged divestments over the years from 75% to the current 9.9% interest in Yangkou Port Co, the residue investment is intended to be held for long-term purpose and is classified as financial assets measured at fair value through other comprehensive income. Given the lack of a stable and attractive dividend policy established in Yangkou Port Co, the Group is assessing its options on this investment based on its value accretion potential.

Engineering

Subject to and upon the completion of the disposal of 29.75% of the issued share capital in Paul Y. Engineering Group Limited (details of which are set out in the announcement of the Company dated 14 November 2022), the Group will no longer be engaged in the construction and engineering business by then. However, the Company is open to any business (including the construction and engineering business) and/or investment opportunities that provide satisfactory returns to the Group.

Property

Subsequent to the completion of the disposal of the entire equity interest in 浙江美聯置業有限公司 (Zhejiang Midland Property Co. Ltd*) which indirectly holds 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) on 31 October 2022 and after the Disposal, the Group no longer has any business of land and property development and investment in the PRC.

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. In September 2022, the Group completed a subscription of 25% equity interest in a property investment company which owns certain office premises in Hong Kong (details of which are set out in the announcement of the Company dated 16 September 2022). Further, in November 2022, the Group completed an acquisition of the entire equity interest in and shareholder's loan of a property investment company which owns certain office premises and car parking spaces in Hong Kong (details of which are set out in the announcement of the Company dated 27 October 2022).

Securities

In view of the recent fluctuation of the securities market, the Group adopted a more cautious and disciplined approach in managing the Group's securities portfolio. The Group will continue to monitor its securities portfolio and look for investment opportunities with a view to achieving growth in portfolio value in future.

Financial Services

The Group will continue to explore business opportunities in the financial services business under a prudent credit strategy and capitalise on the expertise and competitive strength of other sophisticated industry participants through partnerships, with a view to contributing a stable and favorable income stream to the Group.

The following is the report prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with its valuation of the equity interest of the Target Group as at 31 October 2022.



17/F., 83 Wan Chai Road,
Wan Chai, Hong Kong,
T: (852) 2811 1876 F: (852) 3007 8501
W: www.raviagroup.com
E: general@raviagroup.com

26 January 2023

The Board of Directors
Blue River Holdings Limited
Suites 2801–03, 28th Floor,
China United Centre,
28 Marble Road,
North Point,
Hong Kong

Dear Sirs,

Re: Valuation of 100% Equity Interest of Profit Tycoon Holdings Limited and its subsidiaries

INSTRUCTIONS

In accordance with the instructions from Blue River Holdings Limited (the “**Company**”), Ravia Global Appraisal Advisory Limited (“**Ravia**” or “**we**”) is engaged to prepare valuation of 100% of equity interest of Profit Tycoon Holdings Limited and its subsidiaries (collectively the “**Target Group**”) as at 31 October 2022 (the “**Date of Valuation**”).

This report states the purpose of valuation, basis of valuation, scope of work, source of information, overview of the Target Group, valuation methodology, adopted approach for the valuation of the Target Group, major assumptions, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Ravia acknowledges that this report may be made available to the Company for public documentation purpose and used as reference on the Company’s circular dated 26 January 2023 (the “**Circular**”).

We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. BASIS OF VALUATION

Our valuation is based on fair value which is defined by International Valuation Standards established by the International Valuation Standards Council as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. SCOPE OF WORK

Our valuation opinion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (collectively the “**Management**”). In the course of our valuation work, we have conducted the following processes to evaluate the reasonableness of the adopted basis and assumptions provided:

- Discussed with the Management in relation to the background, development, operations, financial performance and other relevant information of the Target Group;
- Reviewed relevant unaudited financial information, operational information and other relevant data concerning the Target Group;
- Reviewed and discussed with the Management on the business development concerning the Target Group provided to us by the Management;
- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market and obtained relevant statistical figures from public available sources;
- Examined relevant basis and assumptions of both the financial and operational information of the Target Group, which were provided by the Management;
- Prepared a valuation model to derive the fair value of the Target Group; and
- Presented all relevant information on the purpose of valuation, basis of valuation, scope of work, source of information, overview of the Target Group, valuation methodology, adopted approach for the valuation of the Target Group, major assumptions, limiting conditions, remarks and opinion of value.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

4. SOURCE OF INFORMATION

For the purpose of our valuation, we have been provided with the information in respect of the Target Group prepared by the Management. The valuation required the consideration of all relevant factors including, but not limited to, the following:

- Overall business descriptions, operations and development of the Target Group;
- Registrations, legal documents, permits and licenses related to the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the Target Group, industry and market; and
- Other reliable public data sources available from the market.

We have also conducted research from public sources to assess the reasonableness and fairness of information provided. We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion.

5. OVERVIEW OF THE TARGET GROUP

Profit Tycoon Holdings Limited is an investment holding enterprise and through its subsidiaries is principally engaged in the development of a recreational and resort project over a land parcel with a total area of approximately 11.42 square kilometres situated at the west of the Outer Gate, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC") (中國江蘇省南通市如東縣洋口鎮外閘西側).

As revealed from the Agreement entered into between Jiangsu Yangtong Investment and Development Co., Ltd. (江蘇洋通開發投資有限公司) ("**Jiangsu Yangtong**"), a subsidiary of the Target Group and the Municipal Government of Rudong County (the "**Rudong Municipal Government**") on 24 August 2005, it has been affirmed that:

- Jiangsu Yangtong has invested and organized all necessary land formation and construction work to convert a tract of coastal wetland at the Outer Gate Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC, has legally secured the land use rights of the land parcel situated at the Outer Gate, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the People's Republic of China with a total land area of 11.5 square kilometres (the "**Outer Gate Land**") since the year of 2004.
- Jiangsu Yangtong's possession rights (including rights of disposal and rights of generating profit) in the Outer Gate Land have been warranted by the Rudong Municipal Government.
- Disposal of the Outer Gate Land in whole or in part by Jiangsu Yangtong would be proceeded through the land sale system administrated by the local Government and all lands sales proceeds net of the prescribed levies would be gone to Jiangsu Yangtong. As confirmed by the Company, after completing the aforesaid land sale procedures, the concerned land parcel would be issued with Real Estate Title Certificate in the nature of commodity land use rights that can be freely transferrable on the market free from additional land premium payment.

Through a number of individual land transactions, Jiangsu Yangtong has sold portions of the Outer Gate Land through the Government land sale system to various purchasers with some of them are subsidiaries of the Target Group. As at the Date of Valuation, the total land area of the Outer Gate Land held by the Target Group is approximately 11.42 square kilometres out of which approximately 0.15 square kilometers had gone through the Government land sale procedures and are freely transferrable on the market.

Falling within the Xiao Yangkou Tourism and Resort Area endorsed by the Municipal Government of Jiangsu Province in 2012, the Outer Gate Land has been planned by the Target Group as a regional tourism site of national standard with hotspring and recreational facilities. As at the Valuation Date, a tourist hotel featured with comprehensive spa facilities and a clubhouse featured with spacious villas and hotspring facilities have been developed on the Outer Gate Land. In additional, an indoor hot springs water park known as Linkspring Fun World has been developed.

6. VALUATION METHODOLOGY

Conventional valuation approaches include Market Approach, Income Approach, Cost Approach and Asset-based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing the Target Group that are similar in nature.

6.1. Market Approach

The market approach measures the value of an asset through an analysis of recent sales or offerings of comparable assets. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable assets.

6.2. Income Approach

The income approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

6.3. Cost Approach

The cost approach measures the value of an asset by the cost to reproduce or replace it with another of like utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration, functional and economic obsolescence.

6.4. Asset-based Approach

The asset-based approach provides an indication of value based on the principle that the sum of each asset and liability component represents the overall value of an entity. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt).

7. ADOPTED APPROACH FOR THE VALUATION OF THE TARGET GROUP

Among the abovementioned valuation approaches, the selection of the valuation approach in valuing the Target Group is based on, among other criteria, the quantity and quality of the information provided, accessibility to available data, availability of relevant market transactions, uniqueness of the business operations and nature of the industry is participating, professional judgment and technical expertise.

The Target Group is a project enterprise established for undertaking all land formation and infrastructure work so as to make the Outer Gate Land ready for tourist and resort facilities to be developed. The implementation of the regional tourist and resort project on the Outer Gate Land is accomplished through partnership or joint venture with potential investors or selling land parcels to those investors who opt to invest and develop the tourist and resort facilities on their own. Besides undertaking land formation works to produce land parcels which are held for sale or leasing, no business plan is mulled by the Target Group in developing the Outer Gate Land.

Of the four approaches to valuation as mentioned above, since the Management cannot provide a reasonable and reliable financial projection for the Target Group, with the uncertainty of the future business development, the market approach and the income approach are not suitable to be adopted. The cost approach was also considered inappropriate as the replication cost may not represent its value. The asset-based approach was considered to be the most appropriate approach for measuring the fair value of the Target Group. The principle underlying the asset-based approach is that the value of ownership of an enterprise is equivalent to the value of its assets less the value of its liabilities. An operating entity which is mainly a property holding enterprise might best be valued using the asset-based approach.

In view of the historical operating results of the Target Group which has reported operating profit mainly derived from gain from disposal of land parcels. Given our understanding that there shall have no substantial change on the Target Group's source of operating income in the foreseeable future, we have considered that the Target Group is in the nature of a property holding enterprise and is most appropriate to be valued by the asset-based approach.

7.1. Investment Properties, Stock of Properties and Self-Use Properties

Investment properties and stock of properties were determined by market approach.

Self-use properties were determined by the market approach and depreciated replacement cost approach.

The market approach is based on the direct comparison assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The depreciated replacement cost approach ("**DRC**") is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available.

7.2. Plant and Equipment

Plant and equipment comprises motor vehicles, office equipment, plant & machinery and furniture, fixtures & computer equipment. Since the plant and equipment do not have material resale value and shall be retained by the Target Group for its ongoing business operations, their fair value has been reflected by their respective net book value as at 31 October 2022, therefore we have assumed there exist no material differences between the net book value and fair value of the plant and equipment as at 31 October 2022, and the net book value of the plant and equipment as at 31 October 2022 was adopted as its fair value in the valuation.

7.3. Intangible Asset

The intangible asset comprises a corporate golf membership issued by Shanghai Tianma Country Club. Since, the book value of the intangible asset is immaterial to the Target Group, therefore we have assumed there exist no material differences between the book value and fair value of the intangible asset as at 31 October 2022, and the book value of the intangible asset as at 31 October 2022 was adopted as its fair value in the valuation.

7.4. Current Assets (excludes Stock of Properties)

The current assets represent the liquid assets that can reasonably be converted into cash within one year. Hence, we have assumed there exist no material differences between the book values and fair values of the current assets (excludes stock of properties) as at 31 October 2022, and the book values of the current assets (excludes stock of properties) as at 31 October 2022 were adopted as their fair values in the valuation.

7.5. Non-Current and Current Liabilities

All items of liabilities except for lease liabilities and deferred tax liabilities are cited from the unaudited consolidated financial statements of the Target Group as at 31 October 2022. After consultation with the Management, all liabilities stated in the financial statement have fully reflected the indebtedness of the Target Group. Therefore, the entire amount of liabilities has been adopted in the valuation. Lease liabilities have been recognized under the Hong Kong Financial Reporting Standard 16 in relation to the tenancy agreements by virtue of which properties are rented by the Target Group from various landlords. They, and the corresponding right-of-use assets, are non-cash items and have been disregarded in this valuation. Deferred tax liabilities are topped up with additional tax liabilities arising from the revaluation gain of the properties held by the Target Group.

8. MAJOR ASSUMPTIONS

In conducting our valuation work, certain major assumptions have to be adopted in order to sufficiently support our opinion of value. In addition, our valuation analyses are also subject to specific representations by the Management and certain principal assumptions that are considered necessary and appropriate for adoption in our valuation analyses (as outlined below).

- The information provided and the representations made by the Management with regard to the Target Group's financial and business affairs are accurate and reliable;
- The Target Group will continue to operate as a going concern;
- The Target Group has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates or intends to operate, and the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations and developments;

- There will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group;
- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Group's business; and
- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Group as at the Date of Valuation.

In case actual events do not accord with one or more of the above assumptions, the resulting value of the Target Group may vary substantially from the figure as set out in this report.

9. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report, such as the market data and the Target Group's information are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management with regards to the Target Group's unaudited financial information and business affairs as well as the outlook for the business to a considerable extent in arriving at our opinion of value. We have not verified the accuracy of the information provided and have assumed that the aforesaid information is accurate. We have not conducted any further investigations concerning whether all data have been provided to us for our assessment and we have no reason to believe that any material data have been withheld from us.

We would particularly point out that our valuation was based on the information made available to us, such as the market data, the Target Group's unaudited financial and operating information are true and accurate.

Our opinion of the value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Our work has been conducted based on the information available as at the Date of Valuation and any subsequent information after the date of this report is not required to reflect in our work.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation.

This report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated in **Section 1 — Purpose of Valuation**, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear. We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

10. REMARKS

Unless otherwise stated, all monetary amount stated in this valuation report are in Renminbi (RMB).

11. OPINION OF VALUE

Based on the investigation and analysis stated above, our scope of work, information available, the assumptions adopted, and the valuation method employed, the fair value of net asset value (the “**Adjusted NAV**”) of Profit Tycoon Holdings Limited and its subsidiaries (i.e., the Target Group) as at 31 October 2022 (i.e., the Date of Valuation) is at the amount of negative RMB365 million which, in our opinion, is ascribed as no commercial value. The fair value of 100% of equity interest of the Target Group is determined by the Adjusted NAV plus the amount due by the Target Group to its ultimate holding company of approximately RMB700 million as at the Date of Valuation at the sum of **RMB335 million**.

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group or the value reported herein.

Yours faithfully,
For and on behalf of

Ravia Global Appraisal Advisory Limited

Elvis C F Ng
CFA, FRM
Director

Note: Mr. Elvis C F Ng is a holder of Chartered Financial Analyst and a certified Financial Risk Manager. He has over eleven years’ experience in business valuation, transaction advisory and corporate consultancy in the Asia Pacific Region including Hong Kong, the PRC and Australia, as well as in European, American, Middle-east and African countries.

APPENDIX II BUSINESS VALUATION REPORT OF THE TARGET GROUP

The book value and fair value of assets and liabilities of the Target Group as at the Date of Valuation (i.e. 31 October 2022) are as follows:

	Book Value as at 31 October 2022 <i>RMB</i>	Fair Value as at 31 October 2022 <i>RMB</i>
NON-CURRENT ASSETS		
Investment properties (<i>Note 1</i>)	330,200,000	330,200,000
Plant and equipment (<i>Note 2</i>)	6,921,437	6,921,437
Self use properties (<i>Note 3</i>)	53,280,855	59,900,000
Right-of-use assets	1,156,120	—
Intangible asset	410,628	410,628
	391,969,040	397,432,065
CURRENT ASSETS		
Stock of properties (<i>Note 4</i>)	674,247,843	682,100,000
Trade and other receivables	32,385,012	32,385,012
Bank balances and cash	15,887,518	15,887,518
	722,520,373	730,372,530
TOTAL ASSETS	1,114,489,413	1,127,804,595
CURRENT LIABILITIES		
Trade and other payables	73,517,370	73,517,370
Taxation payable	770,404	770,404
Lease liabilities	820,168	—
Bank and other borrowings	87,140,000	87,140,000
Amounts due to non-controlling shareholder	80,000,000	80,000,000
	242,247,942	241,427,774
NON-CURRENT LIABILITIES		
Bank and other borrowings	217,100,000	217,100,000
Lease liabilities	391,302	—
Deferred tax liabilities (<i>Note 5</i>)	220,196,558	227,766,710
Amounts due to the ultimate holding company	699,651,616	699,651,616
	1,137,339,476	1,144,518,326
TOTAL LIABILITIES	1,379,587,418	1,385,946,100
NON-CONTROLLING INTERESTS	103,558,993	106,840,237
NET ASSETS	(368,656,998)	(364,981,742)
NET ASSETS (Rounded to million)	(369,000,000)	(365,000,000)

Notes:

1. Investment properties comprises of 3 parcels of levelling land with respective land area of 1 square kilometres, 0.6 square kilometres and 0.4 square kilometres and a parcel of formed land with an area of 0.88 square kilometres scattering over the Outer Gate Land. All of them are falling within the area of the Outer Gate Land (excluding those land portions that have gone through Government land sale procedures) with a total land area of 11,274,291.30 square metres to which the Real Estate Title Certificate of Su (2020) Ru Dong Xian Bu Dong Chan Quan No. 0007161 (蘇(2020)如東縣不動產權第0007161號), the Land Use Right Certificate of Dong Guo Yong (2007) No. 510029 (東國用(2007)第510029號) and the Land Use Right Certificate of Dong Guo Yong (2007) No. 510030 (東國用(2007)第510030號) have been issued in the name of Jiangsu Yangtong. As confirmed by the Company, no development scheme has been scheduled for the investment properties as at the Valuation Date. As mentioned in the said title certificate, the land use of the concerned land parcels is specified as unutilized land (未利用土地). The investment properties have been valued by market approach at a fair value of RMB330,200,000 (please refer to Property Nos. 1 and 2 of Appendix III — Property Valuation Report) on the following basis:
 - They are permitted for tourist and resort use for a term of not less than 40 years (being the maximum term of tourist land use rights under the prevailing land law) commencing from the Valuation Date.
 - They have completed the land sale procedures as administrated by the local Government such that they are freely transferrable on the market throughout the unexpired term of its land use rights.
 - The further costs to complete the site levelling works for the investment properties as estimated by the Company is approximately RMB500,000,000.
 - The total amount of prescribed levies payable to the Government for the land sales as estimated in accordance with the relevant rules and regulations of the Government and the preferential terms granted by the Government to Jiangsu Yangtong at a total amount of approximately RMB136,500,000 (such estimated amount has been allowed in arriving at the market value in existing state of the investment properties).
2. Plant and equipment involved assets used by the Target Group for carrying out their normal course of businesses. They comprise motor vehicles (with a carrying value of RMB903,671); office equipment (with a carrying value of RMB446,113); plant & machinery (with a carrying value of RMB2,845,076); and furniture, fixtures & computer equipment (with a carrying value of RMB2,726,577). Motor vehicles, office equipment, plant & machinery, furniture, fixtures and computer equipment which do not have material resale value and shall be retained by the Target Group for its ongoing business operations, their fair value has been reflected by their respective carrying values as at the Date of Valuation.
3. Self use properties comprise the following two land parcels falling with the Outer Gate Land (all of which have gone through the land sale procedures administered by the local Government):
 - A commercial land parcel with an area of 17,912.60 square metres of which the Real Estate Title Certificate of Su (2022) Ru Dong Xian Bu Dong Chan Quan No. 0000216 (蘇(2022)如東縣不動產權第0000216號) was issued in the name of Jiangsu Xiaoyangkou Hot Spring Development Co., Ltd. (江蘇小洋口溫泉開發有限公司, a 51%-owned subsidiary of the Target Group). The land use rights of the land parcel have been granted for a term expiring on 3 August 2057 for wholesale, retail, catering, commercial, finance and other commercial uses. The land parcel has been developed into Linkspring Fun World with a gross floor area of 19,993.22 square metres. The land parcel has been valued by market approach at a fair value of RMB7,200,000. Given its business plan has been greatly hindered by the COVID-19

pandemic and the prevailing market situation is so uncertain for the management to formulate a meaningful and reliable business forecast for the water park project, in the absence of any forward looking information, the fair value of the buildings on the land parcel determined based on depreciated replacement cost approach is RMB34,800,000. The land value of RMB7,200,000 together with the depreciated replacement cost of the buildings of RMB34,800,000 comes up with the market value of RMB42,000,000. The land and buildings of this property have been pledged by Jiangsu Xiaoyangkou Hot Spring Development Co., Ltd. for a loan advanced from Jiangsu Rudong Rural Commercial Bank Co., Ltd. Yangkou Branch and Chengbei Branch with borrowing limits of RMB67,730,000 and RMB10,200,000 respectively. As confirmed by the Company, the pledge concerned shall not be released before Completion (please refer to Property No. 3 of Appendix III — Property Valuation Report).

- A commercial land parcel with an area of 10,000 square metres of which the Real Estate Title Certificate of Su (2017) Ru Dong Xian Bu Dong Chan Quan No. 0006957 (蘇(2017)如東縣不動產權第0006957號) was issued to the land parcel in the name of Jiangsu Yangtong. The land use rights of the land parcel have been granted for a term expiring on 9 March 2057 for commercial uses. The land parcel has been developed into an office building with a gross floor area of 2,262.62 square metres. The land parcel has been valued by market approach at a fair value of RMB4,620,000. Such land value together with the construction cost incurred of RMB13,300,000 comes up with the market value of RMB17,900,000. The land and buildings of this property have been pledged by Jiangsu Yangtong for a loan advanced from Jiangsu Rudong Rural Commercial Bank Co., Ltd. Chengbei Branch with a borrowing limit of RMB9,800,000. As confirmed by the Company, the pledge concerned shall not be released before Completion (please refer to Property No. 4 of Appendix III — Property Valuation Report).
4. Stock of properties comprises certain unformed land parcels with a total land area of approximately 8.39 square kilometres scattering over the Outer Gate Land. All of them are falling within the area of the Outer Gate Land (excluding those land portions that have gone through Government land sale procedures) with a total land area of 11,274,291.30 square metres to which the Real Estate Title Certificate of Su (2020) Ru Dong Xian Bu Dong Chan Quan No. 0007161 (蘇(2020)如東縣不動產權第0007161號), the Land Use Right Certificate of Dong Guo Yong (2007) No. 510029 (東國用(2007)第510029號) and the Land Use Right Certificate of Dong Guo Yong (2007) No. 510030 (東國用(2007)第510030號) have been issued in the name of Jiangsu Yangtong. As confirmed by the Company, no development scheme has been scheduled for these land parcels as at the Date of Valuation. As mentioned in the said title certificate, the land use of the concerned land parcels is specified as unutilized land (未利用土地). The concerned land parcels have been valued by market approach at a fair value of RMB447,200,000 (please refer to Property No. 5 of Appendix III — Property Valuation Report) on the following basis:
- They are permitted for tourist and resort use for a term of not less than 40 years (being the maximum term of tourist land use rights under the prevailing land law) commencing from the Valuation Date.
 - They have completed the land sale procedures as administrated by the local Government such that they are freely transferrable on the market throughout the unexpired term of its land use rights.
 - The further costs to complete the site formation works for the land parcels as estimated by the Company is approximately RMB1,885,000,000.
 - The total amount of prescribed levies payable to the Government for the land sales as estimated in accordance with the relevant rules and regulations of the Government and the preferential terms granted by the Government to Jiangsu Yangtong at a total amount of approximately RMB383,500,000 (such estimated amount has been allowed in arriving at the market value in existing state of the concerned land parcels).

APPENDIX II BUSINESS VALUATION REPORT OF THE TARGET GROUP

In addition to the above land parcels, stock of properties also include the following land parcels (all of which have gone through the land sale procedures administered by the local Government):

- A commercial land parcel with an area of 33,335 square metres of which the Land Use Right Certificate of Dong Guo Yong (2007) No. 510079 (東國用(2007)第510079號) was issued to the land parcel in the name of Nantong Century Harbour Country Club Development Co., Ltd. (南通世紀海港鄉村俱樂部開發有限公司, a 100%-owned subsidiary of the Target Group) on 19 October 2007. The land use rights of the land parcel have been granted for a term expiring on 2 August 2047 for commercial and serving uses. As confirmed by the Company, no development scheme has been scheduled for the land parcel as at the Valuation Date. The land parcel has been valued by market approach at a fair value of RMB8,400,000 (please refer to Property No. 6 of Appendix III — Property Valuation Report).
- A residential land parcel with an area of 30,461.80 square metres of which the Land Use Right Certificate of Dong Guo Yong (2015) No. 510041 (東國用(2015)第510041號) was issued to the land parcel in the name of Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司, a 75%-owned subsidiary of the Target Group) on 6 November 2015. The land use rights of the land parcel have been granted for a term expiring on 13 July 2081 for residential use. As confirmed by the Company, no development scheme has been scheduled for the land parcel as at the Valuation Date. The land parcel has been valued by market approach at a fair value of RMB32,000,000 (please refer to Property No. 7 of Appendix III — Property Valuation Report).
- A commercial/residential land parcel with an area of 17,964.10 square metres of which the Land Use Right Certificate of Dong Guo Yong (2013) No. 510076 (東國用(2013)第510076號) was issued to the land parcel in the name of Nantong Century Harbour Real Estate Co., Ltd. on 8 November 2013. The land use rights of the land parcel have been granted for a term expiring on 13 July 2081 for commercial/residential use. The land parcel has been developed into three blocks of 5-storey (plus 1 basement level) apartment tower and one level of non-domestic podium (known as Links Spa Hotel) with a total gross floor area of 25,010.20 square metres. Three sets of Building Ownership Certificate (ref no. Ru Dong Fang Quan Zhen Yang Kou Nos. 1520082-1, 1520082-2 and 1520082-3如東房權証洋口字第1520082-1, 1520082-2及1520082-3號) are issued to the aforesaid buildings in the name of Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司). The land parcel together with the buildings thereon have been valued by market approach at a fair value of RMB160,000,000. The land and buildings of the property have been pledged by Nantong Century Harbour Real Estate Co., Ltd. for loans advanced from Shanghai Pudong Development Bank Co., Ltd. Nantong Branch with a borrowing limit of RMB90,000,000. As confirmed by the Company, the pledge concerned shall not be released before Completion (please refer to Property No. 8 of Appendix III — Property Valuation Report).
- A commercial land parcel with an area of 40,271.00 square metres of which the Real Estate Title Certificate of Su (2018) Ru Dong Xian Bu Dong Chan Quan No. 0007037 (蘇(2018)如東縣不動產權第0007037號) was issued to the land parcel in the name of Jiangsu Yangtong. The land use rights of the land parcel have been granted for a term expiring on 19 December 2057 for commercial, boarding and catering uses. As specified in the aforesaid title certificate, the land parcel has been developed into various villa type hotel buildings and ancillary facilities (known as Villa Hotel) with a total gross floor area of 5,134.41 square metres. The land parcel together with the buildings thereon been valued by market approach at a fair value of RMB34,500,000.

The land and buildings of the property have been pledged by Jiangsu Yangtong for loans advanced from Jiangsu Rudong Rural Commercial Bank Co., Ltd. Yangkou Branch and Chengbei Branch with borrowing limits of RMB40,000,000 and RMB10,200,000 respectively. As confirmed by the Company, the pledge concerned shall not be released before Completion (please refer to Property No. 9 of Appendix III — Property Valuation Report).

5. The investment properties, self-use properties and stock of properties of the Target Group have been valued at a total sum of RMB1,072,200,000. Under the prevailing tax regime of the PRC, Land Appreciation Tax and Corporate Income Tax levied by the PRC Government for disposing all the properties at the valuation amounts shall be RMB227,766,710 in total.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2022 of the property interests held by the Target Group.



17/F., 83 Wan Chai Road,
Wan Chai, Hong Kong,
T: (852) 2811 1876 F: (852) 3007 8501
W: www.raviagroup.com
E: general@raviagroup.com

26 January 2023

The Board of Directors
Blue River Holdings Limited
Suites 2801–03, 28th Floor,
China United Centre,
28 Marble Road,
North Point,
Hong Kong

Dear Sirs,

Re: Valuation of Various Properties held by Profit Tycoon Holdings Limited and its subsidiaries

INSTRUCTIONS

We refer to the instructions from Blue River Holdings Limited (the “**Company**”) for us to value the properties held by Profit Tycoon Holdings Limited (the “**Target Company**”) and its subsidiaries (together referred to as the “**Target Group**”) located in the People’s Republic of China (the “**PRC**”). We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2022 (the “**Date of Valuation**”).

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties are categorized into the following groups:

- Group I — Properties held by the Target Group for investment use in the PRC;
- Group II — Properties held by the Target Group for owner occupation in the PRC;
and

- Group III — Properties held by the Target Group as stock in the PRC.

3. VALUATION METHODOLOGIES

For Property Nos. 1 and 2 which are undeveloped land parcels being held by the Target Group for investment purpose, there was no concrete investment or business plan formulated by the Target Group in deriving investment return from the properties as at the Date of Valuation. In the absence of investment plan, we have valued them by the Market Approach on bare land basis with due allowance on further land levelling costs to be expended.

For Property No. 4 which is a parcel of commercial land developed with an office building held by the Target Group for owner occupation, we have valued it by the Market Approach on redevelopment basis on the ground that the existing office building does not fully utilize the permitted development potential of the property and as confirmed by the Target Group, there is no impediment for them to relocate their existing operations to alternative premises.

For Property Nos. 5 to 7 which are undeveloped land parcels being held by the Group as stock, there was no concrete business plan formulated by the Target Group in deriving incomes from the properties as at the Date of Valuation. In the absence of business plan for income generation, we have valued them by the Market Approach on bare land basis with due allowance on any further land levelling costs to be expended.

For Property Nos. 8 and 9 which are completed buildings being held by the Target Group as stock, we have valued them by the Market Approach on the basis that the completed buildings can be sold on enbloc or stratified basis in the market.

In adopting the Market Approach, we have assumed sale of the property in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. Adjustments were made to reflect the differences of the features between the comparable properties and the subject properties. The adjustments are (i) by referencing to (a) the price index reports of “China City Residential Price 288 Index Report” published by the China Real Estate Association, an independent leading residential real estate research institution in China, and “China Commercial Real Estate Index Report” published by China Commercial Property Research Centre, an independent leading commercial real estate research institution in China and (b) the prevailing local market information including but not limited to internet real estate agency such as Fang, as well as local real estate agencies; and (ii) by comparing the price index as at the transaction dates of the comparable lands and the index as at the valuation date, to account for the price fluctuation in the macroeconomy.

Alternative valuation approaches such as the depreciated replacement costs method and the income approach have not been applied for valuing Property Nos. 1, 2 and 4 to 9 on the following grounds:

- Property Nos. 1, 2 and 4 to 7 have been valued on bare land basis such that there are no buildings and structures to which the depreciated replacement cost is to be measured;

- As confirmed by the Target Group, Property Nos. 5 to 7 are currently being held by it as stock of property for generating sale proceeds by outright disposal and none of them was connected to any business plan, development scheme or profit making proposal as at the Date of Valuation such that income approach is considered to be not applicable to their valuation;
- As advised by the Target Group, Property Nos. 8 and 9 which are currently not generating any operating profit or rental income are intended to be sold on the market either on enbloc basis or on strata-title basis and all existing operations being carried out within them shall be discontinued whenever necessary to expedite the disposal of the properties. In the absence of long term business plan in leveraging the concerned properties, income approach is not considered to be applicable to their valuation as they are not expected to be used as income generating properties; and
- Cost approach is not considered to be applicable to the valuation of Property Nos. 8 and 9 as this approach disregarded their upside potential that their individual units can be sold to multiple purchasers on strata-title basis.

For Property No. 3, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus, the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“**DRC**”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available.

4. TITLE INVESTIGATION

We have been provided with copies of title documents and have been confirmed by the Target Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice given by the Company’s PRC legal adviser, Beijing Dentons Law Offices, LLP (Nantong), regarding the titles of the properties located in the PRC. All documents have been used for reference only.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Target Group and the Company’s PRC legal adviser that the Target Group has valid and enforceable titles to the properties by means of long term Land Use Rights granted or to be granted by government, and have free and

uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

Other assumptions for our valuation (if any) specific to each of the properties would be stated out in the footnotes of the valuation certificates attached herewith.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Target Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor areas, ages of building and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct. We were also confirmed by the Company that no material facts have been omitted from the information provided.

7. VALUATION CONSIDERATION

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Target Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Target Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Target Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission and The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

8. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
Ravia Global Appraisal Advisory Limited

Dr. Alan W K Lee
PhD(BA) MFin BCom(Property)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 17 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

SUMMARY OF VALUES

Group I — Properties held by the Target Group for investment use in the PRC

No.	Property	Market Value in Existing State as at 31 October 2022	Interest attributable to the Company	Market Value in Existing State as at 31 October 2022 attributable to the Company
1.	2.0 sq.km. land under leveling work located at the West of the “Outer Gate”, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB76,500,000	75%	RMB57,380,000
2.	0.88 sq.km. formed land located at the West of the “Outer Gate”, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB253,700,000	75%	RMB190,280,000
	Sub-Total for Group I:	<u>RMB330,200,000</u>		<u>RMB247,660,000</u>

SUMMARY OF VALUES

Group II — Properties held by the Target Group for owner occupation in the PRC

No.	Property	Market Value in Existing State as at 31 October 2022	Interest attributable to the Company	Market Value in Existing State as at 31 October 2022 attributable to the Company
3.	A land parcel known as Lot No. 1709-02 developed into Linkspring Fun World located at the West of the “Outer Gate”, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB42,000,000	51%	RMB21,420,000
4.	A land parcel known as Lot No. 1610-01 developed into an office building located at the West of the “Outer Gate”, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB17,900,000	75%	RMB13,430,000
	Sub-Total for Group II:	<u>RMB59,900,000</u>		<u>RMB34,850,000</u>

SUMMARY OF VALUES

Group III — Property held by the Target Group as stock in the PRC

No.	Property	Market Value in Existing State as at 31 October 2022	Interest attributable to the Company	Market Value in Existing State as at 31 October 2022 attributable to the Company
5.	8.39 sq.km. land under leveling work located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB447,200,000	75%	RMB335,400,000
6.	A land parcel known as Lot No. 0702-1 located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB8,400,000	100%	RMB8,400,000
7.	A land parcel known as Lot No. 1104-3 located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB32,000,000	75%	RMB24,000,000
8.	Link Spa Hotel located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB160,000,000	75%	RMB120,000,000
9.	Villas Hotel located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	RMB34,500,000	75%	RMB25,880,000
Sub-Total for Group III:		<u>RMB682,100,000</u>		<u>RMB513,680,000</u>
Grand Total:		<u>RMB1,072,200,000</u>		<u>RMB796,190,000</u>

VALUATION CERTIFICATE

Group I — Properties held by the Target Group for investment use in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
1.	2.0 sq.km. land under leveling work located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises various parcels of land which forms part of the Outer Gate Land which is falling within the Xiao Yangkou Tourism and Resort Area endorsed by the Municipal Government of Jiangsu Province in 2012 and has been planned by the Target Group as a regional tourism site of national standard with hot spring and recreational facilities. As confirmed by the Target Group, no development scheme has been proposed for the property as at the Date of Valuation. Some piecemeal tourist and recreational facilities and industrial establishments are found within the locality.</p> <p>The property has a total area of approximately 2.0 sq.km. of which site leveling work is currently undertaken. It is being serviced with access roads.</p>	As confirmed by the Target Group, the property is vacant as at the Date of Valuation.	RMB76,500,000 75% interest attributable to the Company: RMB57,380,000

Notes:

- Pursuant to a Real Estate Right Certificate, Su (2020) Ru Dong Xian Bu Dong Chan Quan Di No.0007161 (蘇(2020)如東縣不動產權第0007161號) dated 30 July 2020, the land use rights of a portion of the Outer Gate Land with a land area of 10,974,720.80 sq.m., of which the property forms part, are held by Jiangsu Yangtong Investment and Development Co., Ltd. (江蘇洋通開發投資有限公司) ("Jiangsu Yangtong"). The land use of the land parcel is specified as unutilized land (未利用土地).
- As revealed from the land survey plan prepared by Rudong County Surveying Institute Company Limited (如東縣測繪院有限公司), the property is falling within the land parcels mentioned in Note No.1 above.
- As revealed from the Agreement entered into between Jiangsu Yangtong (as "Party A") and the Municipal Government of Rudong County (as "Party B") on 24 August 2005, it has been affirmed that:
 - Jiangsu Yangtong, which has invested and organized all necessary land formation and construction work to convert tract of coastal wetland at the Outer Gate Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC, has legally secured the land use right of the Outer Gate Land since the year of 2004;

- Party A's possession rights (including rights of disposal and rights of generating profit) in the Outer Gate Land have been warranted by Party B; and
 - Disposal of the Outer Gate Land in whole or in part by Party A would be proceeded through the land sale system administrated by the local Government and all lands sales proceeds net of the prescribed levies would be gone to Party A. As confirmed by the Company, after completing the aforesaid land sale procedures, the concerned land parcel would be issued with Real Estate Title Certificate in the nature of commodity land use rights that can be freely transferrable on the market free from additional land premium payment.
4. The property has been valued by market approach on the following basis:
- It is permitted for tourist and resort use for a term of not less than 40 years (being the maximum term of tourist land use rights under the prevailing land law) commencing from the Date of Valuation.
 - It has completed the land sale procedures as administrated by the local Government such that they are freely transferrable on the market throughout the unexpired term of its land use rights.
 - In valuing the property as land under leveling work, we have made reference to comparable transactions of formed land parcels in lieu of unformed land parcels on the following grounds:
 - Under normal practices of the prevailing land market in the PRC, particularly the primary land market, land parcels are essentially transacted on matured status or at least up to "three links and one levelling (三通一平)" land development conditions; and
 - As different unformed land parcels have their own inherent characteristics (such as surface conditions, topography, hydrology, topsoil properties, subsoil conditions, etc.) such that different unformed land parcels shall require different types of formation works and different quantity of work for each item of formation works for turning into formed land. In addition, the derivation on the stage of work progress of different comparable land parcels shall further complicate the comparison process.
- As such, it is considered to be more practical to value the property based on transaction of formed land parcels with due allowance on the further costs to complete the relevant site levelling work.
- For this valuation, we have identified and considered the following formed, levelled and vacant land parcels designated for commercial uses situated in Yangkou Village and Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:
 - Land parcel situated at the east of Yanggang Road and the north of Bohai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口港經濟開發區渤海路北側、洋港路東側) with a land area of 22,387 sq.m. transacted on 4 March 2022 at a consideration of RMB22,566,449 or an accommodation value of RMB403/sq.m. after taking into account of the permitted plot ratio of 2.5. The permitted use of the land parcel is commercial and financial uses.
 - Land parcel situated at the north of S221, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口鎮S221北側) with a land area of 3,772 sq.m. transacted on 9 October 2021 at a consideration of RMB2,515,824 or an accommodation value of RMB371/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is other commercial use.

- Land parcel situated at land parcel No.1 at the west of Bencha River and the south of Coastal High Grade Highway, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮臨海高等級公路南側、栟茶運河西側1號地塊) with a land area of 82,461 sq.m. transacted on 12 October 2020 at a consideration of RMB57,805,100 or an accommodation value of RMB467/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is commercial and wholesale uses.
 - Land parcel situated at the south of Sihai Home and the north of Huanghaiyi Road, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮黃海一路北側、四海之家南側) with a land area of 5,184 sq.m. transacted on 28 November 2019 at a consideration of RMB4,287,200 or an accommodation value of RMB551/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is retail and commercial uses.
- In view of the high similarity of the comparable properties in term of location (all of them are in the vicinity to the subject property), accessibility (the regions in which the comparable properties are located are well served by transportation infrastructures and highway networks), environmental features (all of them are situated at outskirts areas of the cities and within either coastal areas or lakeside areas) and permitted use, we have taken the average of their unit land price and considered the time factor (being the adjusted accommodation value of RMB420/sq.m.) to come up with the market value of the property. In view of the massive scale of the property in term of area and the propensity of its subdivision into smaller land parcels for future development in various phases or future deposition to multiple land users, we have allowed for 20% of the total land area of the property to be set aside for provision of traffic roads, infrastructures and community facilities all of which are considered to be common areas that are undevelopable and come up with a capital value of RMB671,300,000 or a unit rate of RMB336/sq.m. for the property.
- The aforesaid land area ratio of 20% allocated for traffic road, infrastructures and community facilities is in line with the overall land area ratio attributable to transportation, hydraulic works, infrastructures and greenery area as revealed from the Rudong County Land Use Master Planning (2006–2020) Revised Proposal (如東縣土地利用總體規劃調整方案).
- The further costs to complete the site levelling works for the property as estimated by the external expert, with detailed bill of quantities which sets out a list of materials and services required to perform the site levelling work for the property with quantities and cost rates of each of the factors namely materials, labour and plant and equipment has been prepared by the external registered appraiser with reference to the market rates, is approximately RMB500,000,000. Such amount has been estimated based on the quantity of items of work for completing the site levelling for the property with a total area of 2 sq.km. with reference to the cost level as prevailing on the Date of Valuation. The estimated costs are broadly categorized into labour costs of RMB31 million, material costs of RMB165 million, construction machinery costs of RMB133 million and ancillary costs (including contractor profit, on site safety facility set up costs, insurance, site work supervision fees and Government levies) of RMB171 million that are summed up to RMB500 million with an average cost of RMB250/sq.m..
- The total amount of prescribed levies payable to the Government pursuant to the Agreement mentioned in Note No.3 above for the land sales as estimated in accordance with the relevant rules and regulations of the Government and the preferential terms granted by the Government to Jiangsu Yangtong at a total amount of approximately RMB94,800,000. The prescribed levies comprise of land levies, duties and fees charged by the local government based on both land area at the amount of RMB68,160,000 (being approximately RMB34/sq.m.) and land value at the amount of RMB26,640,000 (being approximately 4% on land value).

- The market value of the property of RMB76,500,000 is arrived at by deducting from the determined capital value of RMB671,300,000, the further costs to complete the site levelling works of RMB500,000,000 and the prescribed levies of RMB94,800,000 payable to the Government in the disposal of the property.
5. The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.
 6. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - a. Jiangsu Yangtong is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is not subject to any mortgage; and
 - d. According to the Provincial Government's Approval in Relation to the Consent for the Establishment of Jiangsu Province Rudong Xiao Yangkou Tourist Resort Area (省政府關於同意設立江蘇省如東小洋口旅遊度假區的批覆, Ref Su Zheng Fu [2012] No. 80) issued by the Municipal Government of Jiangsu Province, the planned area with an area of 16.98 sq.km. bounded by Yangkou Boulevard (洋口大道) at the east, Coastal High-Grade Highway (臨海高等級公路) at the south, Jin Ha Boulevard (金蛤大道) at the west and Yellow Sea Beach (黃海灘塗) at the north has been designated as the Rudong Xiao Yangkou Tourist Resort Area (如東小洋口旅遊度假區). With confirmation from Jiangsu Yangtong and due investigation of the PRC legal adviser, the property is falling within the aforesaid planned area.
 7. Jiangsu Yangtong is a 75%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
2.	0.88 sq.km. formed land located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land which forms part of the Outer Gate Land which is falling within the Xiao Yangkou Tourism and Resort Area endorsed by the Municipal Government of Jiangsu Province in 2012 and has been planned by the Target Group as a regional tourism site of national standard with hotspring and recreational facilities. As confirmed by the Target Group, no development scheme has been proposed for the property as at the Date of Valuation. Some piecemeal tourist and recreational facilities and industrial establishments are found within the locality.</p> <p>The property has a total area of approximately 0.88 sq.km. of which site leveling work is currently undertaken. It is being serviced with access roads.</p>	As confirmed by the Target Group, the property is vacant as at the Date of Valuation.	RMB253,700,000 75% interest attributable to the Company; RMB190,280,000

Notes:

1. Pursuant to a Real Estate Right Certificate, Su (2020) Ru Dong Xian Bu Dong Chan Quan Di No.0007161 (蘇 (2020) 如東縣不動產權第0007161號) dated 30 July 2020, the land use rights of a portion of the Outer Gate Land with a land area of 10,974,720.80 sq.m., of which the property forms part, are held by Jiangsu Yangtong. The land use of the land parcel is specified as unutilized land (未利用土地).
2. As revealed from the land survey plan prepared by Rudong County Surveying Institute Company Limited (如東縣測繪院有限公司), the property is falling within the land parcel mentioned in Note No.1 above.
3. As revealed from the Agreement entered into between Jiangsu Yangtong (as "Party A") and the Municipal Government of Rudong County (as "Party B") on 24 August 2005, it has been affirmed that:
 - Jiangsu Yangtong, which has invested and organized all necessary land formation and construction work to convert tract of coastal wetland at the Outer Gate Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC, has legally secured the land use right of the Outer Gate Land since the year of 2004;
 - Party A's possession rights (including rights of disposal and rights of generating profit) in the Outer Gate Land have been warranted by Party B; and

- Disposal of the Outer Gate Land in whole or in part by Party A would be proceeded through the land sale system administrated by the local Government and all lands sales proceeds net of the prescribed levies would be gone to Party A. As confirmed by the Company, after completing the aforesaid land sale procedures, the concerned land parcel would be issued with Real Estate Title Certificate in the nature of commodity land use rights that can be freely transferrable on the market free from additional land premium payment.
4. The property has been valued by market approach on the following basis:
- It is permitted for tourist and resort use for a term of not less than 40 years (being the maximum term of tourist land use rights under the prevailing land law) commencing from the Date of Valuation.
 - It has completed the land sale procedures as administrated by the local Government such that they are freely transferrable on the market throughout the unexpired term of its land use rights.
 - For this valuation, we have identified and considered the following formed, levelled and vacant land parcels designated for commercial uses situated within in Yangkou Village and Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:
 - Land parcel situated at the east of Yanggang Road and the north of Bohai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口港經濟開發區渤海路北側、洋港路東側) with a land area of 22,387 sq.m. transacted on 4 March 2022 at a consideration of RMB22,566,449 or an accommodation value of RMB403/sq.m. after taking into account of the permitted plot ratio of 2.5. The permitted use of the land parcel is commercial and financial uses.
 - Land parcel situated at the north of S221, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口鎮S221北側) with a land area of 3,772 sq.m. transacted on 9 October 2021 at a consideration of RMB2,515,824 or an accommodation value of RMB371/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is other commercial use.
 - Land parcel situated at land parcel No.1 at the west of Bencha River and the south of Coastal High Grade Highway, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮臨海高等級公路南側、耕茶運河西側1號地塊) with a land area of 82,461 sq.m. transacted on 12 October 2020 at a consideration of RMB57,805,100 or an accommodation value of RMB467/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is commercial and wholesale uses.
 - Land parcel situated at the south of Sihai Home and the north of Huanghaiyi Road, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮黃海一路北側、四海之家南側) with a land area of 5,184 sq.m. transacted on 28 November 2019 at a consideration of RMB4,287,200 or an accommodation value of RMB551/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is retail and commercial uses.
 - In view of the high similarity of the comparable properties in term of location (all of them are in the vicinity to the subject property), accessibility (the regions in which the comparable properties are located are well served by transportation infrastructures and highway networks), environmental features (all of them are situated at outskirts areas of the cities and within either coastal areas or lakeside areas) and permitted use, we have taken the average of their unit land price and considered the time factor (being the adjusted accommodation value of RMB420/sq.m.) to come up with the market value of the property. In view of the massive scale of the property in term of area and the propensity of its subdivision into smaller land parcels for future development in various phases or future deposition to multiple land users, we have allowed for 20% of the total land area of the

property to be set aside for provision of traffic roads, infrastructures and community facilities all of which are considered to be common areas that are undevelopable and come up with a capital value of RMB295,400,000 or a unit rate of RMB336/sq.m. for the property.

- The aforesaid land area ratio of 20% allocated for traffic road, infrastructures and community facilities is in line with the overall land area ratio attributable to transportation, hydraulic works, infrastructures and greenery area as revealed from the Rudong County Land Use Master Planning (2006–2020) Revised Proposal (如東縣土地利用總體規劃調整方案).
 - The total amount of prescribed levies payable to the Government pursuant to the Agreement mentioned in Note No.3 above for the land sales as estimated in accordance with the relevant rules and regulations of the Government and the preferential terms granted by the Government to Jiangsu Yangtong at a total amount of approximately RMB41,700,000. The prescribed levies comprise of land levies, duties and fees charged by the local government based on both land area at the amount of RMB29,990,000 (being approximately RMB34/sq.m.) and land value at the amount of RMB11,710,000 (being 4% on land value).
 - The market value of the property of RMB253,700,000 is arrived at by deducting from the determined capital value of RMB295,400,000 the prescribed levies of RMB41,700,000 payable to the Government in the disposal of the property.
5. The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.
6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
- a. Jiangsu Yangtong is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is not subject to a mortgage; and
 - d. According to the Provincial Government's Approval in Relation to the Consent for the Establishment of Jiangsu Province Rudong Xiao Yangkou Tourist Resort Area (省政府關於同意設立江蘇省如東小洋口旅遊度假區的批覆, Ref Su Zheng Fu [2012] No. 80) issued by the Municipal Government of Jiangsu Province, the planned area with an area of 16.98 sq.km. bounded by Yangkou Boulevard (洋口大道) at the east, Coastal High-Grade Highway (臨海高等級公路) at the south, Jin Ha Boulevard (金蛤大道) at the west and Yellow Sea Beach (黃海灘塗) at the north has been designated as the Rudong Xiao Yangkou Tourist Resort Area (如東小洋口旅遊度假區). With confirmation from Jiangsu Yangtong and due investigation of the PRC legal adviser, the property is falling within the aforesaid planned area.
7. Jiangsu Yangtong is a 75%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

Group III — Property held by the Target Group as stock in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
3.	A land parcel known as Lot No. 1709-02 developed into Linkspring Fun World located at the West of the “Outer Gate”, Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises an indoor hotspring water park known as Linkspring Fun World erected on a parcel of land with a land area of approximately 17,912.60 sq.m.. The property was completed in 2021.</p> <p>The total gross floor area of the property is approximately 19,993.22 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 3 August 2057 for wholesale, retail, catering, commercial, finance and other commercial uses.</p>	As confirmed by the Target Group, the property is being operated as a water park.	<p>RMB42,000,000</p> <p>51% interest attributable to the Company: RMB21,420,000</p>

Notes:

- Pursuant to a Real Estate Title Certificate, Su (2022) Ru Dong Xian Bu Dong Chan Quan No. 0000216 (蘇(2022)如東縣不動產權第0000216號) dated 7 January 2022, the land use rights of the property with a land area of approximately 17,912.60 sq.m. and the building ownership rights of the property with a total gross floor area of 19,993.22 sq.m. are held by Jiangsu Xiaoyangkou Hot Spring Development Co., Ltd. (江蘇小洋口溫泉開發有限公司) (“Jiangsu Xiaoyangkou”) for a term expiring on 3 August 2057 for wholesale, retail, accommodation, catering, commercial, finance and other commercial uses.
- The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.
- The property has been valued by the asset base approach by determining the depreciated replacement cost (DRC) of the property. By this approach, the land portion and building portion of the property are valued separately and the determined DRC of the property represents the necessary costs to be incurred for replicating the property, including the costs for acquiring the land parcel of same size permitted for recreational use and the construction costs for completing all existing buildings and structures erected thereon. According to the information provided by the Company, the total development costs (excluding land costs) of the property (based on the actual costs payable to the contractors for carrying out the construction works for the property and the costs for supply and installation of slide wheel facilities thereof together with such indirect costs as professional fees, project management fees and finance costs incurred by the Group in association with the construction of the property) is approximately RMB195,900,000 which has been fully expended to the property as at the Date of Valuation. Given a total gross floor area of approximately 19,993.22 sq.m., the total development costs of RMB195,900,000 come up with a unit cost of approximately RMB9,915/sq.m. which is comparable to the unit cost for construction of median grade commercial complex in the PRC and is considered to be reasonable to be adopted as the replacement costs of the property as new. Adjustments including depreciation and economic obsolescence were applied to account for the wear and tear and the adverse conditions external to the property such as the gloomy outlook recreational and tourism industry due to the Covid-19 pandemic. The adjusted replacement cost is about RMB34,800,000. As advised by the Company, in 2022, the actual daily visitor number achieved about 18% in average of the projection, and we have considered such in the valuation of the property.

For valuation of the land portion of the property, we have identified and considered the following formed, levelled and vacant land parcels designated for commercial use situated in Yangkou Village and Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:

- Land parcel situated at the east of Yanggang Road and the north of Bohai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口港經濟開發區渤海路北側、洋港路東側) with a land area of 22,387 sq.m. transacted on 4 March 2022 at a consideration of RMB22,566,449 or an accommodation value of RMB403/sq.m. after taking into account of the permitted plot ratio of 2.5. The permitted use of the land parcel is commercial and financial uses.
- Land parcel situated at the north of S221, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口鎮S221北側) with a land area of 3,772 sq.m. transacted on 9 October 2021 at a consideration of RMB2,515,824 or an accommodation value of RMB371/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is other commercial use.
- Land parcel situated at land parcel No.1 at the west of Bencha River and the south of Coastal High Grade Highway, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮臨海高等級公路南側、栟茶運河西側1號地塊) with a land area of 82,461 sq.m. transacted on 12 October 2020 at a consideration of RMB57,805,100 or an accommodation value of RMB467/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is commercial and wholesale uses.
- Land parcel situated at the south of Sihai Home and the north of Huanghaiyi Road, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮黃海一路北側、四海之家南側) with a land area of 5,184 sq.m. transacted on 28 November 2019 at a consideration of RMB4,287,200 or an accommodation value of RMB551/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is retail and commercial uses.

In view of the high similarity of the comparable properties in term of location (all of them are in the vicinity to the subject property), accessibility (the regions in which the comparable properties are located are well served by transportation infrastructures and highway networks), environmental features (all of them are situated at outskirts areas of the cities and within either coastal areas or lakeside areas) and permitted use, we have taken the average of their unit land price, considered the time factor and the residual term correction coefficient (depreciation of land considering the remaining term of 35 years out of 40 years for the land use rights)(being the adjusted accommodation value of RMB404/sq.m.) to come up with the land value of the property of RMB7,200,000.

4. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - a. Jiangsu Xiaoyangkou is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is subject to a mortgage; and
 - d. The property can be freely transferred by Jiangsu Xiaoyangkou.
5. Jiangsu Xiaoyangkou is a 51%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
4.	A land parcel known as Lot No. 1610-01 developed into an office building located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises a 2-storey office building erected on a land with a land area of approximately 10,000 sq.m.. The property was completed in 2014.</p> <p>The total gross floor area of the property is approximately 2,262.62 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 9 March 2057 for commercial, finance and communication uses.</p>	As confirmed by the Target Group, the property is occupied by the Target Group as at the Date of Valuation.	<p>RMB17,900,000</p> <p>75% interest attributable to the Company;</p> <p>RMB13,430,000</p>

Notes:

- Pursuant to a Real Estate Title Certificate, Su (2017) Ru Dong Xian Bu Dong Chan Quan No. 0006957 (蘇(2017)如東縣不動產權第0006957號) dated 25 July 2017, the land use rights of the property with a site area of approximately 10,000 sq.m. and the building ownership rights of the property with a gross floor area of 2,262.62 sq.m. are held by Jiangsu Yangtong for a term expiring on 9 March 2057 for commercial, finance and communication uses.
- Pursuant to the State Owned Construction Land Use Rights Granting Agreement entered into between the Rudong State Land Resources Administration Bureau and Jiangsu Yangtong on 26 December 2016, the land use rights of the property were granted to Jiangsu Yangtong at a consideration of RMB16,000,000 subject to the following land use conditions:
 - Use of main structure: commercial
 - Total gross floor area: not more than 11,000.00 sq.m.
 - Plot ratio: not greater than 1.1
 - Building height: not more than 24 m
 - Site coverage: not more than 45%
 - Building covenant: work start not later than 10 September 2017 and work completion not later than 10 September 2019 and subject to prior approval from the Rudong State Land Resources Administration Bureau, work completion date can be deferred for not more than 1 year.
- As confirmed by the Target Group, construction cost incurred as at the Date of Valuation was RMB13,300,000.
- The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.

5. For this valuation, we have identified and considered the following vacant land parcels designated for commercial and service uses situated in Yangkou Village and Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:
- Land parcel situated at the east of Yanggang Road and the north of Bohai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口港經濟開發區渤海路北側、洋港路東側) with a land area of 22,387 sq.m. transacted on 4 March 2022 at a consideration of RMB22,566,449 or an accommodation value of RMB403/sq.m. after taking into account of the permitted plot ratio of 2.5. The permitted use of the land parcel is commercial and financial uses.
 - Land parcel situated at the north of S221, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口鎮S221北側) with a land area of 3,772 sq.m. transacted on 9 October 2021 at a consideration of RMB2,515,824 or an accommodation value of RMB371/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is other commercial use.
 - Land parcel situated at land parcel No.1 at the west of Bencha River and the south of Linhai High Grade Highway, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮臨海高等級公路南側、栢茶運河西側1號地塊) with a land area of 82,461 sq.m. transacted on 12 October 2020 at a consideration of RMB57,805,100 or an accommodation value of RMB467/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is commercial and wholesale uses.
 - Land parcel situated at the south of Sihai Home and the north of Huanghaiyi Road, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮黃海一路北側、四海之家南側) with a land area of 5,184 sq.m. transacted on 28 November 2019 at a consideration of RMB4,287,200 or an accommodation value of RMB551/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is retail and commercial uses.

In view of the high similarity of the comparable properties in term of location (all of them are in the vicinity to the subject property), accessibility (the regions in which the comparable properties are located are well served by transportation infrastructures and highway networks), environmental features (all of them are situated at outskirts areas of the cities and within either coastal areas or lakeside areas) and permitted use, we have taken the average of their unit land price and considered the time factor (being the adjusted accommodation value of RMB420/sq.m.) to come up with the capital value of RMB4,620,000 based on the land area of the property of 10,000 sq.m. times the permitted plot ratio of 1.1 for the land portion of the property. Such determined land value together with the construction cost incurred of RMB13,300,000 comes up with the market value of RMB17,900,000.

6. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
- a. Jiangsu Yangtong is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is subject to a mortgage; and
 - d. The property can be freely transferred by Jiangsu Yangtong upon the approval of the mortgagee.
7. Jiangsu Yangtong is a 75%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

Group III — Property held by the Target Group as stock in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
5.	8.39 sq.km. land under leveling work located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises various parcels of land which forms part of the Outer Gate Land which is falling within the Xiao Yangkou Tourism and Resort Area endorsed by the Municipal Government of Jiangsu Province in 2012 and has been planned by the Target Group as a regional tourism site of national standard with hot spring and recreational facilities. As confirmed by the Target Group, no development scheme has been proposed for the property as at the Date of Valuation. Some piecemeal tourist and recreational facilities and industrial establishments are found within the locality.</p> <p>The property has an area of approximately 8.39 sq.km. of which site leveling work is currently undertaken. It is being serviced with access roads.</p>	As confirmed by the Target Group, the property is vacant as at the Date of Valuation.	<p>RMB447,200,000</p> <p>75% interest attributable to the Company: RMB335,400,000</p>

Notes:

- Pursuant to a Real Estate Title Certificate, Su (2020) Ru Dong Xian Bu Dong Chan Quan No. 0007161 (蘇(2020)如東縣不動產權第0007161號) dated 30 July 2020, the land use rights of portion of the property with a site area of approximately 10,974,720.80 sq.m., of which the property forms part, are held by Jiangsu Yangtong. The land use of the land parcel is specified as unutilized land (未利用土地).
- Pursuant to a Land Use Rights Certificate, Dong Guo Yong (2007) No. 510029 (東國用(2017)第510029號) dated 13 March 2007, the land use rights of portion of the property with a site area of approximately 177,725.40 sq.m. are held by Jiangsu Yangtong. The land use of the land parcel is specified as hydraulic engineering land use (水利工程用地).
- Pursuant to a Land Use Rights Certificate, Dong Guo Yong (2007) No. 510030 (東國用(2017)第510030號) dated 13 March 2007, the land use rights of portion of the property with a site area of approximately 121,845.10 sq.m. are held by Jiangsu Yangtong. The land use of the land parcel is specified as hydraulic engineering land use (水利工程用地).
- As revealed from the land survey plan prepared by Rudong County Surveying Institute Company Limited (如東縣測繪院有限公司), the property is falling within the land parcels mentioned in Note Nos.1–3 above.

5. The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.
6. As revealed from the Agreement entered into between Jiangsu Yangtong (as “Party A”) and the Municipal Government of Rudong County (as “Party B”) on 24 August 2005, it has been affirmed that:
 - Jiangsu Yangtong, which has invested and organized all necessary land formation and construction work to convert tract of coastal wetland at the Outer Gate Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC, has legally secured the land use right of the Outer Gate Land since the year of 2004;
 - Party A’s possession rights (including rights of disposal and rights of generating profit) in the Outer Gate Land have been warranted by Party B; and
 - Disposal of the Outer Gate Land in whole or in part by Party A would be proceeded through the land sale system administrated by the local Government and all lands sales proceeds net of the prescribed levies would be gone to Party A. As confirmed by the Company, after completing the aforesaid land sale procedures, the concerned land parcel would be issued with Real Estate Title Certificate in the nature of commodity land use rights that can be freely transferrable on the market free from additional land premium payment.
7. The property has been valued by market approach on the following basis:
 - It is permitted for tourist and resort use for a term of not less than 40 years (being the maximum term of tourist land use rights under the prevailing land law) commencing from the Date of Valuation.
 - It has completed the land sale procedures as administrated by the local Government such that they are freely transferrable on the market throughout the unexpired term of its land use rights.
 - In valuing the property as land under leveling work, we have made reference to comparable transactions of formed land parcels in lieu of unformed land parcels on the following grounds:
 - Under normal practices of the prevailing land market in the PRC, particularly the primary land market, land parcels are essentially transacted on matured status or at least up to “three links and one levelling (三通一平)” land development conditions; and
 - As different unformed land parcels have their own inherent characteristics (such as surface conditions, topography, hydrology, topsoil properties, subsoil conditions, etc.) such that different unformed land parcels shall require different types of formation works and different quantity of work for each item of formation works for turning into formed land. In addition, the derivation on the stage of work progress of different comparable land parcels shall further complicate the comparison process.

As such, it is considered to be more practical to value the property based on transaction of formed land parcels with due allowance on the further costs to complete the relevant site levelling work.

 - For this valuation, we have identified and considered the following formed, levelled and vacant land parcels designated for commercial uses situated in Yangkou Village and Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:
 - Land parcel situated at the east of Yanggang Road and the north of Bohai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口港經濟開發區渤海路北側、洋港路東側) with a land area of 22,387 sq.m. transacted

on 4 March 2022 at a consideration of RMB22,566,449 or an accommodation value of RMB403/sq.m. after taking into account of the permitted plot ratio of 2.5. The permitted use of the land parcel is commercial and financial uses.

- Land parcel situated at the north of S221, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口鎮S221北側) with a land area of 3,772 sq.m. transacted on 9 October 2021 at a consideration of RMB2,515,824 or an accommodation value of RMB371/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is other commercial use.
 - Land parcel situated at land parcel No.1 at the west of Bencha River and the south of Coastal High Grade Highway, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮臨海高等級公路南側、栢茶運河西側1號地塊) with a land area of 82,461 sq.m. transacted on 12 October 2020 at a consideration of RMB57,805,100 or an accommodation value of RMB467/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is commercial and wholesale uses.
 - Land parcel situated at the south of Sihai Home and the north of Huanghaiyi Road, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮黃海一路北側、四海之家南側) with a land area of 5,184 sq.m. transacted on 28 November 2019 at a consideration of RMB4,287,200 or an accommodation value of RMB551/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is retail and commercial uses.
- In view of the high similarity of the comparable properties in term of location (all of them are in the vicinity to the subject property), accessibility (the regions in which the comparable properties are located are well served by transportation infrastructures and highway networks), environmental features (all of them are situated at outskirts areas of the cities and within either coastal areas or lakeside areas) and permitted use, we have taken the average of their unit land price and considered the time factor (being the adjusted accommodation value of RMB420/sq.m.) to come up with the market value of the property. In view of the massive scale of the property in term of area and the propensity of its subdivision into smaller land parcels for future development in various phases or future deposition to multiple land users, we have allowed for 20% of the total land area of the property to be set aside for provision of traffic roads, infrastructures and community facilities all of which are considered to be common areas that are undevelopable and come up with a capital value of RMB2,715,700,000 or a unit rate of RMB336/sq.m. for the property.
- The aforesaid land area ratio of 20% allocated for traffic road, infrastructures and community facilities is in line with the overall land area ratio attributable to transportation, hydraulic works, infrastructures and greenery area as revealed from the Rudong County Land Use Master Planning (2006-2020) Revised Proposal (如東縣土地利用總體規劃調整方案).
- The further costs to complete the site levelling works for the property as estimated by the external registered appraiser, with detailed bill of quantities which sets out a list of materials and services required to perform the site levelling work for the property with quantities and cost rates of each of the factors namely materials, labour and plant and equipment has been prepared by the external expert with reference to the market rates, is approximately RMB1,885,000,000. Such amount has been estimated based on the quantity of items of work for completing the site levelling for the property with a total area of 8.39 sq.km. with reference to the cost level as prevailing on the Date of Valuation. The estimated costs are broadly categorized into labour costs of RMB85 million, material costs of RMB956 million, construction machinery costs of RMB356million and ancillary costs (including contractor profit, on site safety facility set up costs, insurance, site work supervision fees and Government levies) of RMB488 million that are summed up to RMB1,885 million with an average cost of RMB225/sq.m..

- The total amount of prescribed levies payable to the Government pursuant to the Agreement mentioned in Note No.6 above for the land sales as estimated in accordance with the relevant rules and regulations of the Government and the preferential terms granted by the Government to Jiangsu Yangtong at a total amount of approximately RMB383,500,000. The prescribed levies comprise of land levies, duties and fees charged by the local government based on both land area at the amount of RMB275,774,000 (being approximately RMB34/sq.m.) and land value at the amount of RMB107,726,000 (being approximately 4% on land value).
 - The market value of the property of RMB447,200,000 is arrived at by deducting from the determined capital value of RMB2,715,700,000 the further costs to complete the site levelling works of RMB1,885,000,000 and the prescribed levies of RMB383,500,000 payable to the Government in the disposal of the property.
8. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
- a. Jiangsu Yangtong is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is not subject to a mortgage; and
 - d. According to the Provincial Government's Approval in Relation to the Consent for the Establishment of Jiangsu Province Rudong Xiao Yangkou Tourist Resort Area (省政府關於同意設立江蘇省如東小洋口旅遊度假區的批覆, Ref Su Zheng Fu [2012] No. 80) issued by the Municipal Government of Jiangsu Province, the planned area with an area of 16.98 sq.km. bounded by Yangkou Boulevard (洋口大道) at the east, Coastal High-Grade Highway (臨海高等級公路) at the south, Jin Ha Boulevard (金蛤大道) at the west and Yellow Sea Beach (黃海灘涂) at the north has been designated as the Rudong Xiao Yangkou Tourist Resort Area (如東小洋口旅遊度假區). With confirmation from Jiangsu Yangtong and due investigation of the PRC legal adviser, the property is falling within the aforesaid planned area.
9. Jiangsu Yangtong is a 75%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
6.	A land parcel known as Lot No. 0702-1 located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land which forms part of the Outer Gate Land which is falling within the Xiao Yangkou Tourism and Resort Area endorsed by the Municipal Government of Jiangsu Province in 2012 and has been planned by the Target Group as a regional tourism site of national standard with hotspring and recreational facilities.</p> <p>The site area of the property is approximately 33,335 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 2 August 2047 for other commercial and service uses.</p>	As confirmed by the Target Group, the property is vacant as at the Date of Valuation.	RMB8,400,000 100% interest attributable to the Company: RMB8,400,000

Notes:

- Pursuant to a Land Use Rights Certificate, Dong Guo Yong (2007) No.510079 (東國用(2007)第510079號) dated 19 October 2007, the land use rights of the property with a site area of approximately 33,335 sq.m. are held by Nantong Century Harbour Country Club Development Co., Ltd. (南通世紀海港鄉村俱樂部開發有限公司) for a term expiring on 2 August 2047 for other commercial and service uses.
- Pursuant to the State Owned Construction Land Use Rights Granting Agreement entered into between the Rudong State Land Resources Administration Bureau and Nantong Century Harbour Country Club Development Co., Ltd. on 26 December 2016, the land use rights of the property were granted to Nantong Century Harbour Country Club Development Co., Ltd. at a consideration of RMB16,000,000 subject to the following land use conditions:
 - Plot ratio: not less than 0.5 and not greater than 0.6
 - Site coverage: not less than 10% and not more than 15%
 - Greenery ratio: not less than 35%
 - Building covenant: work start not later than 1 July 2007 and subject to prior approval from the Rudong State Land Resources Administration Bureau, work start date can be deferred for not more than 1 year.
- The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.

4. For this valuation, we have identified and considered the following vacant land parcels designated for commercial and service uses in Yangkou Village and Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:
- Land parcel situated at the east of Yanggang Road and the north of Bohai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口港經濟開發區渤海路北側、洋港路東側) with a land area of 22,387 sq.m. transacted on 4 March 2022 at a consideration of RMB22,566,449 or an accommodation value of RMB403/sq.m. after taking into account of the permitted plot ratio of 2.5. The permitted use of the land parcel is commercial and financial uses.
 - Land parcel situated at the north of S221, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (江蘇省南通市如東縣洋口鎮S221北側) with a land area of 3,772 sq.m. transacted on 9 October 2021 at a consideration of RMB2,515,824 or an accommodation value of RMB371/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is other commercial use.
 - Land parcel situated at land parcel No.1 at the west of Bencha River and the south of Coastal High Grade Highway, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮臨海高等級公路南側、栟茶運河西側1號地塊) with a land area of 82,461 sq.m. transacted on 12 October 2020 at a consideration of RMB57,805,100 or an accommodation value of RMB467/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is commercial and wholesale uses.
 - Land parcel situated at the south of Sihai Home and the north of Huanghaiyi Road, Yangkou Town, Rudong County, Nantong City, Jiangsu Province (如東縣洋口鎮黃海一路北側、四海之家南側) with a land area of 5,184 sq.m. transacted on 28 November 2019 at a consideration of RMB4,287,200 or an accommodation value of RMB551/sq.m. after taking into account of the permitted plot ratio of 1.5. The permitted use of the land parcel is retail and commercial uses.
5. Based on the above comparable transactions with due adjustment on the unexpired term of land use rights of the property (the unexpired term of the property is 26 years as at the Date of Valuation which is shorter than normal land use right term of commercial land of 40 years), we have come up with a capital value of RMB8,400,000 for the property based on a developable gross floor area of 20,001 sq.m. (being land area of the property of 33,335 sq.m. times permitted plot ratio of 0.6) and an adjusted accommodation value of RMB420/sq.m. of developable gross floor area for the property further to the consideration of the time factor.
6. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
- a. Nantong Century Harbour Country Club Development Co., Ltd. (南通世紀海港鄉村俱樂部開發有限公司) is in possession of a proper legal title to the property;
 - b. The property is not subject to mortgage or seizure;
 - c. The property can be freely transferred by Nantong Century Harbour Country Club Development Co., Ltd.
7. Nantong Century Harbour Country Club Development Co., Ltd. is a wholly-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
7.	A land parcel known as Lot No. 1104-3 located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land which forms part of the Outer Gate Land which is falling within the Xiao Yangkou Tourism and Resort Area endorsed by the Municipal Government of Jiangsu Province in 2012 and has been planned by the Target Group as a regional tourism site of national standard with hotspring and recreational facilities.</p> <p>The site area of the property is approximately 30,461.80 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 13 July 2081 for residential use.</p>	As confirmed by the Target Group, the property is vacant as at the Date of Valuation.	<p>RMB32,000,000</p> <p>75% interest attributable to the Company: RMB24,000,000</p>

Notes:

- Pursuant to a Land Use Rights Certificate, Dong Guo Yong (2015) No.510041 (東國用(2015)第510041號) dated 6 November 2015, the land use rights of the property with a site area of approximately 30,461.80 sq.m. are held by Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司) for a term expiring on 13 July 2081 for residential use.
- Pursuant to the State Owned Construction Land Use Rights Granting Agreement entered into between the Rudong State Land Resources Administration Bureau and Nantong Century Harbour Real Estate Co., Ltd. on 26 December 2016, the land use rights of the property were granted to Nantong Century Harbour Real Estate Co., Ltd. at a consideration of RMB11,362,251.40 subject to the following land use conditions:
 - Use of main structure: residential
 - Total gross floor area: not more than 36,554 sq.m. and not less than 30,461.80 sq.m.
 - Plot ratio: not greater than 1.2 and not less than 1.0
 - Building height: not more than 24m
 - Site coverage: not more than 28%
 - Greenery ratio: not less than 30%
 - Building covenant: work start not later than 31 December 2011 and work completion not later than 30 June 2014 and subject to prior approval from the Rudong State Land Resources Administration Bureau, work completion date can be deferred for not more than 1 year.
- The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.

4. For this valuation, we have identified and considered the following vacant land parcels designated for residential use in Yangkou Port Economical Development District within Rudong County that have been sold by the Government through open bidding around the Date of Valuation:
- Land parcel situated at the east of Yuejin Road and the south of Huanghai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (如東縣洋口港經濟開發區黃海路南側、躍進路東側) with a land area of 45,035 sq.m. transacted on 20 January 2022 at a consideration of RMB140,643,200 or an accommodation value of RMB1,735/sq.m. after taking into account of the permitted plot ratio of 1.8. The permitted use of the land parcel is residential use.
 - Land parcel situated at the east of Taigang Road and the south of Hengyi Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (洋口港經濟開發區橫一路南側、太港路東側) with a land area of 52,059 sq.m. transacted on 29 January 2021 at a consideration of RMB40,606,000 or an accommodation value of RMB411/sq.m. after taking into account of the permitted plot ratio of 1.9. The permitted use of the land parcel is residential use.
 - Land parcel situated at the east of Shagang Road and the north of Huanghai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (洋口港經濟開發區黃海路北側、沙港路東側) with a land area of 31,854 sq.m. transacted on 28 January 2021 at a consideration of RMB28,158,700 or an accommodation value of RMB520/sq.m. after taking into account of the permitted plot ratio of 1.7. The permitted use of the land parcel is residential use.
 - Land parcel situated at the east of Yuejin Road and the north of Xuehai Road, Yangkou Port Economical Development District, Rudong County, Nantong City, Jiangsu Province (洋口港經濟開發區學海路北側、躍進路東側) with a land area of 47,729 sq.m. transacted on 28 January 2021 at a consideration of RMB88,347,200 or an accommodation value of RMB926/sq.m. after taking into account of the permitted plot ratio of 2.0. The permitted use of the land parcel is residential use.
5. Based on the above comparable transactions, we have come up with a capital value of RMB32,000,000 for the property based on a developable gross floor area of 36,554.16 sq.m. (being land area of the property of 30,461.80 sq.m. times permitted plot ratio of 1.2) and an adjusted accommodation value of RMB875/sq.m. of developable gross floor area for the property further to the consideration of the time factor.
6. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
- a. Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司) is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is not subject to mortgages; and
 - d. The property can be freely transferred by Nantong Century Harbour Real Estate Co., Ltd.
7. Nantong Century Harbour Real Estate Co., Ltd. is a 75%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
8.	Links Spa Hotel located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with an area of 17,964.10 sq.m. on which three blocks of 5-storey (plus 1 basement level) apartment tower and one level of non-domestic podium are erected. The development was completed in 2013.</p> <p>The total gross floor area of the property is 25,010.20 sq.m..</p> <p>The land use rights of the property are held for terms expiring on 13 July 2051 for commercial use and 13 July 2081 for residential use respectively.</p>	As confirmed by the Target Group, the property is operated as a hotel under the tradename of "Links Spa Hotel" as at the Date of Valuation.	<p>RMB160,000,000</p> <p>75% interest attributable to the Company: RMB120,000,000</p>

Notes:

- Pursuant to a Land Use Right Certificate, Dong Guo Rong 2013 Di No.510076 (東國用(2013)第510076號) dated 8 November 2013, the land use rights of the property with an area of 17,964.10 sq.m. are held by Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司) for terms expiring on 13 July 2051 for commercial use and 13 July 2081 for residential use respectively.
- Pursuant to a Building Ownership Certificate, Ru Dong Fang Quan Zheng Yang Kou Zi Di No.1520082-1 (如東房權証洋口字第1520082-1號), one of the 3 subject buildings at Zone C of the property with a gross floor area of 7,556.44 sq.m., is held by Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司).
- Pursuant to a Building Ownership Certificate, Ru Dong Fang Quan Zheng Yang Kou Zi Di No.1520082-2 (如東房權証洋口字第1520082-2號), one of the 3 subject buildings at Zone B of the property with a gross floor area of 6,909.66 sq.m., is held by Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司).
- Pursuant to a Building Ownership Certificate, Ru Dong Fang Quan Zheng Yang Kou Zi Di No.1520082-3 (如東房權証洋口字第1520082-3號), one of the 3 subject buildings at Zone A of the property with a gross floor area of 10,544.10 sq.m., is held by Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司).
- A Commodity Flat Pre-sale Permit, Tong Fang Yu Shou Zhen No. 2011(16)(Ru Dong) (通房預售証2011(16)號(如東)), was issued by the Rudong County Housing and Town and Rural Construction Bureau to Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司) on 9 November 2011 by virtue of which the property had been permitted to be publicly pre-sold.
- The property (including the 265 residential units thereof) was allowed to be sold on the market in the nature of commodity flats. We have made reference to the price information of apartments (all of them embedded with both land use rights and building ownership rights) situated nearby the property including Tsing Hua Garden (清華苑) with a selling price of RMB8,340/sq.m. and Ri Hui Xiao Qu (日暉小區) with a selling price

of RMB8,040/sq.m., we have arrived at a capital value of RMB160,000,000 or an adjusted unit rate of RMB6,535/sq.m. based on a total gross floor area (excluding basement area and gymnasium room area) of 23,224 sq.m. of the property.

7. The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.
8. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - a. Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司) are in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is subject to a mortgage; and
 - d. The property can be freely transferred by Nantong Century Harbour Real Estate Co., Ltd. (南通世紀海港置業有限公司) upon the approval of the mortgagee.
9. Nantong Century Harbour Real Estate Co., Ltd. is a 75%-owned subsidiary of the Target Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
9.	Villas Hotel located at the West of the "Outer Gate", Yangkou Town, Rudong County, Nantong City, Jiangsu Province, the PRC	<p>The Property comprises a parcel of land with an area of 40,271 sq.m. on which various villa type hotel buildings and ancillary facilities are erected. The development was completed in about 2012.</p> <p>The total gross floor area of the property is 5,134.41 sq.m..</p> <p>The land use rights of the property are held for terms expiring on 19 December 2057 for wholesale, retail, boarding, catering, commercial and finance and other commercial uses.</p>	As advised by the Target Group, the property is operated as clubhouse and boarding facilities as at the Date of Valuation.	<p>RMB34,500,000</p> <p>75% interest attributable to the Company: RMB25,880,000</p>

Notes:

1. Pursuant to the Real Estate Title Certificate, Su (2018) Ru Dong Xian Bu Dong Chan Quan Di No.0007037 (蘇 (2018) 如東縣不動產權第0007037號) dated 8 October 2018, the land use rights of the property with an area of 40,271 sq.m. and the subject buildings with a total gross floor area of 5,134.41 sq.m. are held by Jiangsu Yangtong for a term expiring on 19 December 2057 for wholesale, retail, boarding, catering, commercial and finance and other commercial uses.
2. For this valuation, we have made reference to the price information of commercial properties (all of them embedded with both land use rights and building ownership rights) at Pu Fa Ling Xiu Cheng (浦發領秀城) with average selling price of RMB8,010/sq.m.. We have arrived at a capital value of RMB34,500,000 or an adjusted unit rate of RMB7,840/sq.m. based on a total gross floor area (excluding plant room area) of 4,404 sq.m. of the property.
3. The inspection was performed by Zhang Jinren, with over 6-year valuation experience, in June 2022.
4. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, *inter alia*, the following information:
 - a. Jiangsu Yangtong is in possession of a proper legal title to the property;
 - b. The property is not subject to seizure;
 - c. The property is subject to a mortgage; and
 - d. The property can be freely transferred by Jiangsu Yangtong upon the approval of the mortgagee.
5. Jiangsu Yangtong is a 75%-owned subsidiary of the Target Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

a. Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules; or (c) were required pursuant to section 352 of the SFO to be entered in the register referred to therein were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage <i>(Note)</i>
Mr. Kwong Kai Sing, Benny	Beneficial owner	166,753,200	15.52%

Note: Shareholding percentage is based on 1,074,156,114 issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules; or (c) were required pursuant to section 352 of the SFO to be entered in the register referred to therein.

b. Interests of Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company in accordance with disclosure by the Shareholders under Part XV of the SFO, the following substantial Shareholders (within the meaning of the Listing Rules) of the

Company and other persons (in each case other than the Directors and the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Substantial Shareholders

Name of Shareholder	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage <i>(Note 2)</i>
Mr. Kitchell Osman Bin	Beneficial owner	310,000,000 (L)	28.86%
Mr. Kwong Kai Sing, Benny	Beneficial owner	166,753,200 (L)	15.52%

Notes:

- (L) denotes a long position.
- Shareholding percentage is based on 1,074,156,114 issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (in each case other than a Director or the chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in the Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best of knowledge of the Directors, none of the Directors and their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had: (a) any direct or indirect interests in any assets which have been since 31 March 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (b) any subsisting material interest in any contract or arrangement which is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the subscription agreement dated 23 February 2021 entered into between Blue River Investments Limited, an indirect wholly-owned subsidiary of the Company, and Galaxy Vantage Limited relating to the subscription of approximately 27.3% of the enlarged issued share capital of Galaxy Vantage Limited for a consideration of HK\$100 million and the shareholders' agreement dated 23 February 2021 entered into between Victor Choice Global Limited, Mr. David Ki, Blue River Investments Limited and Galaxy Vantage Limited to regulate the respective rights and obligations of the shareholders of Galaxy Vantage Limited and its conduct of affairs;
- (ii) the subscription agreement dated 9 March 2021 entered into between Blue River Corporation Limited, currently an indirect wholly-owned subsidiary of the Company, and Maxlord Enterprises Limited relating to the subscription of one-third (approximately 33.3%) of the enlarged issued share capital of Maxlord Enterprises Limited for a consideration of HK\$100 million and the shareholders' agreement dated 9 March 2021 entered into between Planetree Holdings Limited, Blue River Corporation Limited and Maxlord Enterprises Limited to regulate the respective rights and obligations of the shareholders of Maxlord Enterprises Limited and its conduct of the affairs;
- (iii) the subscription agreement dated 13 April 2021 entered into between Blue River International Limited, an indirect wholly-owned subsidiary of the Company, and Imagi Brokerage Limited relating to subscription of the convertible bonds in the principal amount of HK\$100 million to be issued by Imagi Brokerage Limited;
- (iv) the subscription agreement dated 21 April 2021 entered into between Blue River Enterprises Limited, an indirect wholly-owned subsidiary of the Company, and Co-Lead Holdings Limited relating to the subscription of the convertible bonds in the principal amount of HK\$100 million to be issued by Co-Lead Holdings Limited;
- (v) the sale and purchase agreement dated 29 July 2021 (as supplemented by the supplemental agreement dated 16 September 2021) (the "**Amended PYE Agreement**") entered into between the Company and Mr. Chan Chak Kai Kenneth ("**Mr. CK Chan**") relating to the proposed acquisition of 51.76% issued shares of Paul Y. Engineering Group Limited for a consideration of approximately HK\$675 million which shall be settled by the

Company in kind by assignment and transfer of (a) the entire issued share(s) of Nation Cheer Investment Limited (incorporated in Hong Kong), Nation Cheer Investment Limited (incorporated in the Republic of Marshall Islands), Blue River International Limited, Treasure Capital Group Limited, Treasure Capital Finance Limited and Treasure Capital Securities Limited (collectively, the “**Disposal Companies**”); and (b) all the outstanding loans owing by the Disposal Companies to the Company or other companies with the Group as at completion to Mr. CK Chan and the subsequent termination agreement dated 22 December 2021 entered into between the Company and Mr. CK Chan to discharge and release each other from further obligation under the Amended PYE Agreement and their respective rights and/or claims against each other arising out of or in connection therewith;

- (vi) the non-legally binding term sheet dated 21 May 2021 entered into between Blue River Property Holdings Limited and GREF(VI) Acquisitions Limited in relation to the intended sale of the entire issue share capital of Profit Tycoon Holdings Limited, an indirect wholly-owned subsidiary of the Company, and the assignment of the loan owing by Profit Tycoon Holdings Limited to Blue River Property Holdings Limited (as supplemented by GREF (VI) Acquisitions Limited’s extension request letter and Blue River Property Holdings Limited’s acknowledgement on 5 July 2021);
- (vii) the sale and purchase agreement dated 15 September 2021 (as supplemented by the addendums dated 16 December 2021, 17 January 2022, 14 July 2022, 3 August 2022, 23 August 2022, 26 September 2022, 26 October 2022, 8 November 2022 and 8 December 2022) entered into between Blue River Property Holdings Limited and Gold Spell Limited in relation to the disposal of the entire issue share capital of Profit Tycoon Holdings Limited, an indirect wholly-owned subsidiary of the Company, and such amount equals to the face value of the entire sum of shareholder’s loan owing by Profit Tycoon Holdings Limited to Blue River Property Holdings Limited as at the date of completion for a consideration of RMB700,000,000 (equivalent to approximately HK\$840,000,000) (subject to adjustment). The agreement in respect of the disposal lapsed on 23 December 2022;
- (viii) the sale and purchase agreement dated 16 February 2022 entered into between PYI Xingdong Investment Limited, an indirect wholly-owned subsidiary of the Company, and 南通金榮房屋征收服務有限公司 (Nantong Jinrong Housing Collection Service Co., Ltd.*) relating to the disposal of the entire equity interests in 保華興東置業(江蘇)有限公司 (PYI Xingdong Properties (Jiangsu) Limited*) for a consideration of approximately RMB13.4 million (equivalent to approximately HK\$16.5 million);
- (ix) the sale and purchase agreement dated 10 May 2022 entered into between Grand Scheme Developments Limited, an indirect wholly-owned subsidiary of the Company, and Zhongjian Huaxia Group (HK) Limited in relation to the disposal of the entire issued share capital of Great Decision Limited (“**Great Decision**”) and the assignment of all amounts (the “**Great Decision Sale Loan**”) owing by Great Decision to Grand Scheme Developments Limited at completion for a consideration of an amount equivalent to the total sum of HK\$72,000,000 and the net assets value at completion (referring to (i) the aggregate of all assets of Great Decision and its subsidiaries which are readily convertible into cash or cash equivalents (excluding an office building known as 先鋒科技大廈 (Pioneer Technology Building*) located at No. 298 Wei Ye Road, Binjiang District of Hangzhou City, the PRC) less (ii) the aggregate of all liabilities of Great Decision (but excluding the Great Decision Sale Loan and deferred tax liabilities) at completion), and the first supplemental agreement dated 24 May 2022 and the second supplemental agreement dated 22 June 2022 in relation to the

extension of the payment date of the deposit and the completion date respectively. The agreement in respect of the disposal of Pioneer Technology Building was eventually terminated as disclosed in the Company's announcement dated 16 August 2022;

- (x) the capital injection agreement dated 19 May 2022 entered into between Hubei Energy Group Co., Ltd.* (湖北能源集團股份有限公司), PYI Min Sheng Investment Limited, an indirect wholly-owned subsidiary of the Company, and 湖北民生石油液化氣有限公司 (Hubei Minsheng Liquefied Petroleum Gas Limited*), in relation to the proposed injection of capital of US\$42.67 million into Hubei Minsheng Liquefied Petroleum Gas Limited by Hubei Energy Group Co., Ltd.;
- (xi) the sale and purchase agreement dated 9 September 2022 entered into between PYI Properties (HK) Limited and China Earth Limited and 保華(上海)企業管理有限公司 (PYI (Shanghai) Corporate Management Co. Ltd.*), the indirect wholly-owned subsidiaries of the Company, and 南通興嘉橙企業管理有限公司 (Nantong Xingjiacheng Enterprise Management Co.*) in relation to the disposal of the entire interest in 浙江美聯置業有限公司 (Zhejiang Midland Property Co. Ltd.*) for a consideration of RMB65 million (equivalent to approximately HK\$73.45 million);
- (xii) the subscription agreement dated 16 September 2022 entered into between Blue River Gain Limited, an indirect wholly-owned subsidiary of the Company, and Quality World Investments Limited relating to the subscription of 25% of the enlarged issued share capital of Quality World Investments Limited for a consideration of HK\$44,500,000;
- (xiii) the subscription agreement dated 7 October 2022 entered into between Blue River Investments Limited, an indirect wholly-owned subsidiary of the Company, and Hope Capital Limited relating to the subscription of approximately 24.64% of the enlarged issued share capital of Hope Capital Limited for a consideration of HK\$75,000,000;
- (xiv) the sale and purchase agreement dated 27 October 2022 entered into between Ms. Fung Yuk Tai and Blue River Forever Limited, an indirect wholly-owned subsidiary of the Company, in relation to the acquisition of the entire equity interest in and the shareholder's loan of Vogalsan Limited for a consideration of HK\$65,000,000;
- (xv) the reassignment deed dated 4 November 2022 executed by the Company and Elemet Limited relating to the irrevocable and unconditional reassignment of a block of approximately 10% shareholding voting rights in Paul Y. Engineering Group Limited (which was conferred on the Company under the irrevocable and unconditional assignment of such voting rights from Elemet Limited at nil consideration on 1 June 2021) from the Company back to Elemet Limited absolutely;
- (xvi) the memorandum of understanding dated 5 November 2022 entered into between Growing Success Limited, a wholly-owned subsidiary of the Company, and Maple Luck Limited in relation to the disposal of the entire issued share capital of Dragon Mission Enterprise Limited, an indirect wholly-owned subsidiary of the Company, details of which were set out in the announcement of the Company dated 6 November 2022;
- (xvii) the sale and purchase agreement dated 14 November 2022 entered into between Dragon Mission Enterprise Limited, an indirect wholly-owned subsidiary of the Company, and Maple Luck Limited in relation to the disposal of 1,177,242,054 shares of Paul Y. Engineering Group Limited for a consideration of HK\$300,000,000;

(xviii) the loan agreement dated 7 December 2022 entered into between Shinning Resort Assets Management Limited (now known as Blue River Finance Limited), an indirect wholly-owned subsidiary of the Company, and Green River Associates Limited in relation to the grant of the revolving loan facility of up to HK\$150,000,000 to Green River Associates Limited; and

(xix) the Agreement.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
Ravia Global Appraisal Advisory Limited (“ Ravia ”)	An independent professional valuer

As at the Latest Practicable Date, Ravia had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Ravia did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Ravia did not have any direct or indirect interest in any assets which have been, since 31 March 2022 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Suites 2801–03, 28th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Ms. Ho Sze Nga, Maggie. She obtained her degree of Bachelor of Laws in United Kingdom and was admitted as a solicitor of the High Court of Hong Kong.
- (d) If there is any inconsistency between the English text of this circular, the notice of the SGM and/or the accompanying proxy form and the respective Chinese translation thereof, the English text thereof shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Group (www.blueriverholdings.com.hk) for a period of 14 days from the date of this circular:

- (a) the business valuation report of the Target Group as set out in Appendix II to this circular;
- (b) the property valuation report on the property interests held by the Target Group as set out in Appendix III to this circular;
- (c) the consent letter from Ravia, as referred to in the paragraph headed “QUALIFICATION AND CONSENT OF EXPERT” in this Appendix; and
- (d) the Agreement.

NOTICE OF SGM



Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Blue River Holdings Limited (the “**Company**”) will be held at Sky Blue, Shop 301, 3/F, Harbour North (Phase 1), North Point, Hong Kong on Monday, 13 February 2023 at 10:30 a.m., to consider, and, if thought fit, pass, with or without modification, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 24 December 2022 (the “**Agreement**”) entered into between Blue River Property Holdings Limited (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, as vendor and Summit Day Limited (the “**Purchaser**”), a company incorporated in the British Virgin Islands with limited liability, as purchaser (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of this meeting for the purpose of identification) pursuant to which the Vendor has conditionally agreed to sell the entire equity interest (the “**Sale Share**”) of Profit Tycoon Holdings Limited (the “**Target Company**”) and to assign such amount equals to the face value of the entire sum of shareholder’s loan owing by the Target Company to the Vendor as at the date of completion (the “**Sale Loan**”), the Purchaser has conditionally agreed to acquire the Sale Share and take up the assignment of the Sale Loan (the “**Disposal**”), the terms and conditions thereof and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company (the “**Directors**”), any committee appointed by the board of Directors (the “**Board**”), or any other person authorised by the Board from time to time be and are hereby generally and unconditionally authorised to do all such acts and things and execute all such agreements and documents (whether under hand or as a deed and if required, to affix the seal of the Company thereto) and to do all such acts, matters and take all such steps as they consider necessary or expedient or desirable in connection with, ancillary to or to give effect to the Agreement and the Disposal and to implement the transactions contemplated thereunder and all other matters and incidental thereto and to agree and execute all such variation(s), amendment(s), supplemental(s), waiver(s),

NOTICE OF SGM

termination(s) or cessation(s) of matters relating thereto as are, in their opinion, in the interest of the Company.”

By Order of the Board

Blue River Holdings Limited

HO Sze Nga
Company Secretary

Hong Kong, 26 January 2023

Principal Place of Business in Hong Kong:

Suites 2801–03, 28th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares of the Company. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarised copy of such power or authority, shall be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.
3. For the purpose of ascertaining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 8 February 2023 to Monday, 13 February 2023, both dates inclusive, during which period no transfer of share(s) of the Company will be registered. In order to be eligible to attend and vote at the meeting, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 7 February 2023.
4. In the event that a black rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at 7:30 a.m. on Monday, 13 February 2023, the SGM shall automatically be postponed to Monday, 20 February 2023 (the “**Re-scheduled Day**”), the date on which no black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted at 7:30 a.m. and in such case the SGM shall be held at 10:30 a.m. on the Re-scheduled Day at Sky Blue, Shop 301, 3/F, Harbour North (Phase 1), North Point, Hong Kong.
5. The Chinese translation of this notice is for reference only and in case of any inconsistency, the English version shall prevail.

NOTICE OF SGM

As at the date of this notice, the composition of the Board is as follows:

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

NOTICE OF SGM

PRECAUTIONARY MEASURES FOR THE MEETING

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the Meeting to be held on Monday, 13 February 2023 at 10:30 a.m. to protect the attending shareholders of the Company (the “**Shareholders**”), staff and other stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted on every Shareholder, proxy and attendee at the entrance of the Meeting venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the Meeting venue or be required to leave the Meeting venue;
- (b) the Company requests attendees to wear surgical face masks inside the Meeting venue at all times;
- (c) no refreshments or drinks will be served; and
- (d) designated seating arrangement will be made so as to ensure appropriate social distancing.

To the extent permitted under law, the Company reserves the right to deny entry into the Meeting venue or require any person to leave the Meeting venue in order to ensure the safety of the attendees at the Meeting.

In the interest of all stakeholders’ health and safety and be consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the Chairman of the Meeting as their proxy to vote on the relevant resolution at the Meeting instead of attending the Meeting in person.