Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE DISCLOSEABLE TRANSACTION

Reference is made to the announcement of Blue River Holdings Limited (the "**Company**") dated 21 March 2024 (the "**Announcement**") in relation to the disposal of the entire issued share of and the assignment of the shareholder's loan owing by Blue River Wuhan Port Limited. Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

The Company wishes to provide the Shareholders and potential investors with additional information on the Business Valuation.

BASES AND ASSUMPTIONS OF THE BUSINESS VALUATION

The bases and assumptions extracted from the valuation report in respect of the Business Valuation and the key quantitative inputs used by the independent valuer engaged by the Company (the "**Valuer**") in arriving at the appraised value of each asset and liability of the Disposal Group as at 31 January 2024 (the "**Date of Valuation**") under the asset-based approach in the Business Valuation are set out as follows:

Property, plant and equipment

The property, plant and equipment comprise buildings, motor vehicles, logistics and distribution facilities, vessel, office equipment and leasehold improvement.

Buildings and office equipment

In the valuation of the buildings and office equipment, the cost approach was adopted to consider the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic cause.

In assessing the value of the buildings, references have been made to the prevailing construction costs in the relevant market to determine the current replacement costs. Construction costs ranging from approximately RMB600 per square meter to RMB3,700 per square meter have been adopted depending on the types of building with consideration of associated professional, management and financial costs. Depreciation factors ranging from approximately 52.7% to 57.7% were considered to reflect the wear and tear depreciation of the buildings (which were built in the years from 2006 to 2008) by assuming a straight-line depreciation with the consideration of their useful life of 35 years. The total depreciated replacement cost of the buildings was assessed at approximately RMB1,550,000 (equivalent to approximately HK$1,698,000) as at the Date of Valuation.

In assessing the values of the structures and office equipment, the Valuer has (i) made reference to the original costs of the structures and office equipment; (ii) adjusted such costs by considering inflation; (iii) applied a residual rate at 5%; and (iv) considered depreciation factors of the structures and office equipment ranging from approximately 0.9% to 88.1% by assuming a straight-line depreciation with the consideration of their useful life ranging from 5 to 35 years. The depreciated replacement costs of the structures and office equipment were assessed at approximately RMB2,753,000 (equivalent to approximately HK$3,015,000) and RMB274,000 (equivalent to approximately HK$300,000) respectively as at the Date of Valuation.

Motor vehicles, vessel and logistics and distribution facilities

In the valuation of the motor vehicles, vessel and logistics and distribution facilities, the market approach was adopted with the relevant comparable market evidence referenced.

In assessing the motor vehicles, the valuations are based on the information of the vehicles supplied by the management of the Group, including but not limited to the fact that the vehicles are in generally good operating conditions. Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the vehicles from vehicles of like kind in new condition were noted and made part of the judgment of the Valuer in arriving at the values.

For the three motor vehicles owned by the Disposal Group, the Valuer has selected comparable evidence of second-hand motor vehicles which possess the same brand and model, carrying capacity and similar ex-factory date with mileage information available in the relevant market. The adopted unit rates of the three motor vehicles with reference to the second-hand market information ranged from approximately RMB85,000 to RMB149,000. The total appraised value of the motor vehicles was approximately RMB372,000 (equivalent to approximately HK$407,000) as at the Date of Valuation.

As (i) the existing vessel, logistics and distribution facilities are dedicated to LPG operation purpose only as advised by the management of the Group; and (ii) the valuation was made on the basis that the LPG business of the Disposal Group has become negligible subsequent to the closure of all LPG automotive fuelling stations of the Disposal Group due to the phase-out of LPG-powered vehicles in Wuhan, the Valuer has taken into account the market transaction evidence and the current market prices of scrap steel in arriving at the values of the existing vessel, logistics and distribution facilities.

In assessing the value of the vessel, the Valuer has made reference to the market prices of scrap steel of approximately RMB2,590 per tonne as at the Date of Valuation to come up with the value of the vessel (with the net weight of 685 tonnes) of approximately RMB1,770,000 (equivalent to approximately HK$1,939,000).

For the valuation of the logistics and distribution facilities comprising the six LPG storage tanks at the LPG Storage Tank Farm, the Valuer has taken into account the demolition cost of the LPG storage tanks and the market price of the scrap steel. With reference to the total demolition cost for the four tanks demolished by the Disposal Group in 2018 with the unit demolition cost of RMB342,500 per tank, and as adjusted for inflation at a rate of approximately 7%, the total demolition cost for the remaining six LPG storage tanks is estimated to be approximately RMB2,200,000. Taking into account the estimated net weight of the six LPG storage tanks of approximately 2,250 tonnes after being demolished, the gross scrap value of the tanks based on the market price of scrap steel as at the Date of Valuation of approximately RMB2,120 per tonne amounted to approximately RMB4,770,000. The appraised value of the six LPG storage tanks of approximately RMB2,570,000 (equivalent to approximately HK$2,815,000) is thereby arrived at the gross scrap value net of the total demolition cost.

Leasehold improvement

As the leasehold improvement does not have material resale value and shall be retained by the Disposal Group for its ongoing business operations, its appraised value has been reflected by its respective net book value as at the Date of Valuation. Therefore, the Valuer has assumed there exist no material difference between the net book value and appraised value of the leasehold improvement as at the Date of Valuation, and the net book value was adopted as its appraised value in the valuation.

Right-of-use assets

The right-of-use assets comprise the land use rights and lessee's right to use leased assets over the lease term.

Land use rights

The land use rights are relating to the LPG Storage Tank Farm. The Valuer has valued the land by the direct comparison approach assuming sale of the land in its existing state with the benefit of vacant possession and by making reference to comparable land sales transactions with similar characteristics as available in the relevant market.

In assessing the value of the land use rights of the LPG Storage Tank Farm (which have been granted for a term with the expiry date on 28 February 2047 for public facilities use), the Valuer has identified an exhaustive list of two comparable land sales transactions as follows:

(i) a land parcel situated at the south of Huanqi North Road and the west of Qiyan Road, Qijiawan Street, Huangpi District (黃陂區祁家灣街環祁北路以南、祁研路以西) with a land area of 4,853.25 square meters transacted on 28 September 2022 at a consideration of RMB3,300,000 at an unit rate of approximately RMB680 per square meter; and

(ii) a land parcel situated at the east of Chuangye Middle Road and the north of Chuangxin Avenue, Qianchuan Street, Huangpi District (黃陂區前川街創業中路以東、創新大道以北) with a land area of 12,000.12 square meters transacted on 19 May 2023 at a consideration of RMB8,200,000 at an unit rate of approximately RMB683 per square meter.

The permitted use of the above land parcels is public facilities use with the permitted plot ratio of 0.3.

Due adjustments including the time and location factors and the residual term correction coefficient (depreciation of land considering the remaining term of approximately 23.08 years out of 41 years for the land use rights) have been considered by the Valuer to come up with the unit rate of approximately RMB514 per square meter on site area. The appraised value of the land use rights of the LPG Storage Tank Farm with total site area of 65,070.59 square meters was approximately RMB33,400,000 (equivalent to approximately HK$36,583,000) as at the Date of Valuation.

Lease assets

As the lessee's right to use leased assets does not have material resale value and shall be retained by the Disposal Group for its ongoing business operations, the Valuer has assumed there exist no material difference between the book value and the appraised value of the lessee's right as at the Date of Valuation, hence its book value was adopted as its appraised value in the valuation.

Current assets and current liabilities

The current assets in the balance sheet represent the liquid assets that can reasonably be converted into cash within one year, and the current liabilities represent the debts or obligations that are due within one year. Hence, the Valuer has assumed there exist no material differences between the book values and the appraised values of the current assets and liabilities as at the Date of Valuation, and the book values of the current assets and liabilities as at the Date of Valuation were adopted as their appraised values in the valuation.

Lease liabilities

The lease liabilities (non-current) represent the lease payment obligations that are more than one year. The Valuer has assumed there exist no material differences between the book value and the appraised value of the lease liabilities (non-current) as at the Date of Valuation, and the book value of the non-current liabilities as at the Date of Valuation was adopted as its appraised value in the valuation.

BOOK VALUE AND APPRAISED VALUE OF THE DISPOSAL GROUP

The book value and the appraised value of each asset and liability of the Disposal Group as at the Date of Valuation and the differences between them (the "**Differences**") are tabulated below:

	Book value *HK$'000*	Appraised value *HK$'000*	Differences *HK$'000*	Notes
Assets				
Non-current assets				
Property, plant and equipment				
— Buildings	108	4,713	4,605	(i)
— Motor vehicles	238	407	169	
— Logistics and distribution facilities	1,424	2,815	1,391	(i)
— Vessel	42	1,939	1,897	(i)
— Office equipment	303	300	(3)	
— Leasehold improvement	210	210	—	
Right-of-use assets				
— Land use rights	22,728	36,583	13,855	(ii)
— Lease assets	2,239	2,239	—	
Sub-total	***27,292***	***49,206***	***21,914***	
Current Assets				
Debtors and prepayment	2,029	2,029	—	
Short-term bank deposits	2,191	2,191	—	
Cash at bank and cash on hand	4,558	4,558	—	
Sub-total	***8,778***	***8,778***	***–***	
Total assets	**36,070**	**57,984**	**21,914**	
Liabilities				
Current liabilities				
Creditors and accruals	20,648	20,648	—	
Contract liabilities	2,465	2,465	—	
Amount due to fellow subsidiary	3,287	3,287	—	
Amount due to immediate holding company	319,237	319,237	—	
Other borrowing	28,000	28,000	—	
Taxation payable	398	398	—	
Lease liabilities	1,445	1,445	—	
Sub-total	***375,480***	***375,480***	***–***	
Non-current liabilities				
Lease liabilities	716	716	—	
Sub-total	***716***	***716***	***–***	
Total liabilities	**376,196**	**376,196**	**—**	
Net assets/(liabilities)	**(340,126)**	**(318,212)**	**21,914**	

Notes:

(i) The book values of buildings, logistics and distribution facilities as well as vessel as at the Date of Valuation were stated at value in use.

(ii) The book value of land use right as at the Date of Valuation was stated at cost less depreciation.

(iii) The figures shown in the table above have been subject to rounding adjustments.

The book values of the assets and liabilities of the Disposal Group as at the Date of Valuation were prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the HKFRS, "property, plant and equipment" are stated at cost less accumulated depreciation and impairment losses, if any, whereas "right-of-use assets" are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs of disposal and value in use of an asset or a cash-generating unit (the "**CGU**"). Fair value less costs of disposal is the amount obtainable from the sale of the asset or CGU in an arm's length transaction between knowledgeable and willing parties less the costs of disposal. Value in use is the present value of the estimated future cash flows expected to be derived from the asset or CGU.

Due to the nature of the CGU where no transaction of similar assets at the locality can be identified, it is not possible to determine fair value less costs of disposal because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Therefore, the recoverable amount of the asset or CGU has been measured based on the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which the estimates of future cash flows have not been adjusted.

Given that (i) the Differences are arising from two different measurement bases; (ii) the book values of the assets and liabilities of the Disposal Group were prepared in accordance with the HKFRS; and (iii) the Appraised Value in the Business Valuation follows the International Valuation Standards published by the International Valuation Standards Council, the Directors consider that the Differences are fair and reasonable.

By Order of the Board

Blue River Holdings Limited

HO Sze Nga

Company Secretary

Hong Kong, 17 April 2024

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

Executive Directors:
Benny KWONG *(Chairman and Managing Director)*
AU Wai June

Independent Non-Executive Directors:
William GILES
YU Chung Leung
LAM John Cheung-wah