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## **Blue River Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 498)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSAL COMPANY AND THE SHAREHOLDER'S LOAN**

The Board is pleased to announce that on 10 May 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Share and assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to purchase the Sale Share and take up the assignment of the Sale Loan at the Consideration. The principal asset of the Disposal Group is the Hangzhou Property, which is known as "Pioneer Technology Building\*".

As at the date of this announcement, the Disposal Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the members of the Disposal Group. Accordingly, the assets, liabilities and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

#### **LISTING RULES IMPLICATIONS**

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

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## **THE AGREEMENT**

Principal terms of the Agreement are set out below:

### **Date**

10 May 2022 (after trading hours)

### **Parties**

- (i) the Purchaser; and
- (ii) the Vendor

The Purchaser is a company incorporated in Hong Kong with limited liability and principally engaged in, *inter alia*, land and property investment and development. The Purchaser is wholly-owned by Mr. Zhou Bicheng. Both the Purchaser and its ultimate beneficial owner are Independent Third Parties.

### **Assets to be disposed of**

The Sale Share represents the entire issued share capital of the Disposal Company and is held in the name of the Vendor as at the date of this announcement. The principal asset of the Disposal Group is the Hangzhou Property, which is known as “Pioneer Technology Building\*”.

The Sale Loan represents all amounts owing by the Disposal Company to the Vendor at Completion.

## Consideration and payment terms

The Consideration represents the sum of the Original Purchase Price and the Completion NAV, all of which shall be payable by the Purchaser to the Company by way of cashier's order issued by a licensed bank in Hong Kong or solicitors' cheque in the following manner:

- (i) 10% of the Original Purchase Price in the amount of HK\$7.2 million (the "**Deposit**") shall be payable as the refundable deposit within four (4) Business Days upon signing of the Agreement;
- (ii) 90% of the Original Purchase Price in the amount of HK\$64.8 million shall be payable as at the date of Completion; and
- (iii) the Completion NAV (if such amount is positive) shall be payable after Completion pursuant to the following terms.

The Completion NAV shall be determined and settled in the following manner:

- (a) as soon as practicable and in any event within 28 days after the date of Completion, the Vendor shall provide to the Purchaser the Completion Accounts and a set of pro-forma completion accounts showing the calculation of the Completion NAV. In the event that the Purchaser raises objection to the Completion Accounts with grounds within 21 days of the date of receipt of the same from the Vendor, the Vendor and the Purchaser shall in good faith negotiate to resolve and settle the same within 10 days thereafter. If the Vendor and the Purchaser fail to resolve and settle within the said 10-day period, they shall appoint an independent accountant to review the Completion Accounts. If the Vendor and the Purchaser cannot agree on the choice of such independent accountant within 7 days after the expiry of the said 10-day period, either one of them may request the President of the Hong Kong Institute of Certified Public Accountants to appoint such independent accountant;
- (b) if the amount of the Completion NAV is positive, such amount shall be paid by the Purchaser to the Vendor within five Business Days after the finalisation of the Completion NAV; or
- (c) if the amount of the Completion NAV is negative, such amount shall be paid by the Vendor to the Purchaser within five Business Days after the finalisation of the Completion NAV.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms, mainly with reference to (i) the unaudited adjusted net asset value of the Disposal Group as at 31 March 2022 (after excluding the shareholder's loan of approximately HK\$477.0 million due to the Vendor by the Disposal Company) in the amount of approximately HK\$71.3 million (the "**Adjusted NAV**"), which had taken into account the fair value of the Hangzhou Property as at 31 March 2022 prepared by an independent valuer using market approach; (ii) the historical financial performance of the Disposal Group; (iii) the prevailing market conditions of the property market in the PRC; and (iv) the reasons for and benefits of the Disposal as stated under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

Based on the unaudited consolidated management accounts of the Disposal Group as at 31 March 2022, the Completion NAV is estimated to be approximately HK\$0.9 million. The Company expects that there will be no material difference between the estimated and actual amounts of the Completion NAV.

The Consideration of approximately HK\$72.9 million (based on the sum of the Original Purchase Price of HK\$72 million and the estimated Completion NAV of approximately HK\$0.9 million) represents a premium of approximately 2.2% to the Adjusted NAV. Having considered the historical financial performance of the Disposal Group and the anticipated incurrence of significant maintenance costs, the Board is of the view that the Disposal provides a valuable opportunity for the Group to realise its investment in the Disposal Group and hence the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons of the Disposal are further discussed under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

### **Conditions Precedent**

Completion is conditional upon fulfilment of the following Conditions Precedent:

- (i) the Purchaser having conducted and completed due diligence in respect of, *inter alia*, the assets, liabilities, operations, tax, accounts, records, and legal aspects of the Disposal Group, and the Purchaser being satisfied with the results of the due diligence in all respects; and
- (ii) the Vendor having obtained all necessary approvals, authorisations or consents from competent governmental or regulatory authorities, or any other third party in connection with the Agreement and the transactions contemplated thereunder (if applicable).

The Purchaser may waive in writing the Condition Precedent (i) above. If any of the foregoing Conditions Precedent have not been satisfied or waived on or before the date of Completion:

- (a) no party to the Agreement shall have any obligations in respect of the sales and purchase of the Sale Share and the Sale Loan; and
- (b) the Agreement shall cease and terminate and the Deposit shall be returned from the Vendor to the Purchaser. Apart from that, neither party to the Agreement shall have any obligations and liability thereunder save for any antecedent breaches of the terms thereof.

As part of the Agreement, the Company represents to the Purchaser that, so far as the Vendor is aware, the contents of all documents provided by the Vendor to the Purchaser for the purpose of the Purchaser's due diligence pursuant to the terms of the Agreement are true and accurate in all material respects.

### **Completion**

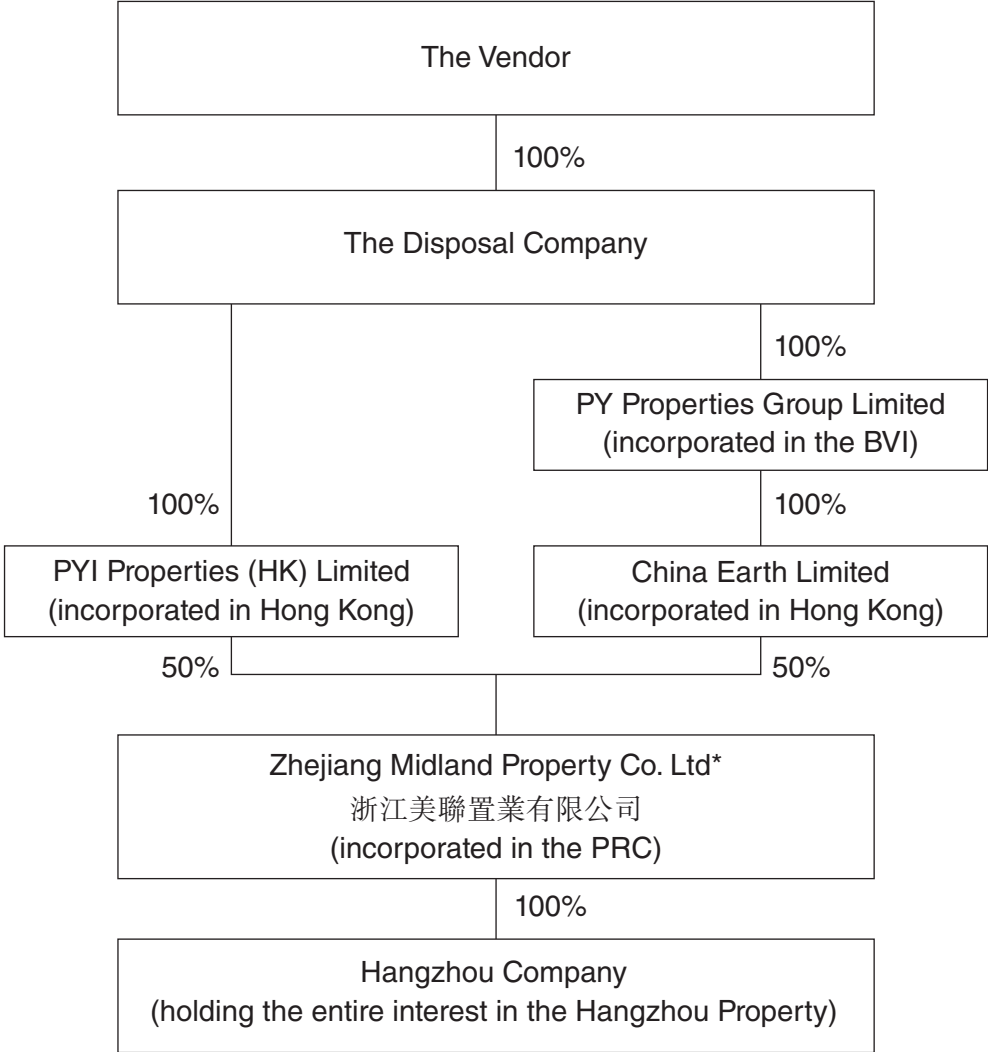
Subject to the fulfilment or waiver (as the case may be) of all the Conditions Precedent, Completion will take place on or before the 10th Business Days after the date of signing of the Agreement or such other date as the parties may agree in writing.

As at the date of this announcement, the Disposal Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the members of the Disposal Group.

### **INFORMATION OF THE DISPOSAL GROUP AND THE HANGZHOU PROPERTY**

The Disposal Company is a company incorporated in the BVI with limited liability which is a wholly-owned subsidiary of the Vendor. The principal activity of the Disposal Company is investment holding.

The corporate structure of the Disposal Group as at the date of this announcement is set out as follow:



The Disposal Company directly holds (i) the entire issued share capital of PYI Properties (HK) Limited (an investment holding company incorporated in Hong Kong with limited liability); and (ii) PY Properties Group Limited (an investment holding company incorporated in the BVI with limited liability), which in turn holds the entire issued share capital in China Earth Limited (an investment holding company incorporated in Hong Kong with limited liability). PYI Properties (HK) Limited and China Earth Limited jointly own the entire equity interest in 浙江美聯置業有限公司 (Zhejiang Midland Property Co. Ltd\*, an investment holding company established under the laws of the PRC with limited liability), which in turn holds the entire equity interest in the Hangzhou Company.

The principal asset of the Disposal Group is the Hangzhou Property beneficially owned by the Hangzhou Company.

The Hangzhou Property is a 16-storey building known as “Pioneer Technology Building\*” located at No. 298 Wei Ye Road, Binjiang District, Hangzhou City, Zhejiang Province, the PRC. The land on which the Hangzhou Property is located is zoned for industrial use and the permitted use of the Hangzhou Property is non-domestic use. The total gross floor area of the Hangzhou Property is 18,341.63 sq. m. plus basement area of 2,358.13 sq. m. and a total of 28 bays of carparking spaces are provided in the Hangzhou Property. Certain units of the Hangzhou Property are currently rented out to various tenants as offices and the Hangzhou Property is held by the Group as investment properties for rental income.

### Financial Information of the Disposal Group

Set out below is the unaudited consolidated financial information of the Disposal Group for the financial years ended 31 March 2021 (“FY2021”) and 31 March 2022 (“FY2022”) as prepared in accordance with Hong Kong Financial Reporting Standards based on the current corporate structure of the Disposal Group:

	<b>FY2022</b> (unaudited) HK\$'000	<b>FY2021</b> (unaudited) HK\$'000
Revenue	13,838	12,023
Loss before taxation	129,643	11,341
Loss after taxation	112,846	7,524

According to the unaudited consolidated financial information of the Disposal Group, as at 31 March 2022, (i) the unaudited net liabilities of the Disposal Group was approximately HK\$405.7 million; and (ii) the adjusted net asset value of the Disposal Group was approximately HK\$71.3 million, after excluding the shareholder’s loan of approximately HK\$477.0 million due to the Vendor by the Disposal Company.

The increase in net loss of the Disposal Group for FY2022 was mainly attributable to the increase in fair value loss of the Hangzhou Property.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in, *inter alia*, providing comprehensive engineering and property-related services through Paul Y. Engineering Group Limited, land and property development and investment in the PRC, development and operation of ports, infrastructure, gas distribution and logistics facilities in the PRC, as well as securities trading and investment, and provision of financing related services.

The Disposal Group generated gross profits of approximately HK\$9.5 million and HK\$11.2 million respectively for FY2021 and FY2022. However, the administrative expenses incurred by the Disposal Group surged from approximately HK\$4.5 million for FY2021 to approximately HK\$9.0 million for FY2022, mainly attributable to the increase in property management fee, staff costs and building maintenance costs. Coupled with the adverse impact arising from the fair value loss on the Hangzhou Property and increase in finance costs, the Disposal Group registered a loss-making track record in the past two years.

Along with the aging of the premise, certain utility equipment and hardware of the Hangzhou Property (including but not limited to elevators, power distribution room and glass curtain wall) have nearly reached the end of their life expectancy. The management of the Disposal Group estimated that an approximately RMB18.0 million (or equivalent to approximately HK\$21.2 million) will be needed for major maintenance of the Hangzhou Property in the near future. In the event that the Disposal does not materialise, the Group needs to inject further funding to the Disposal Group to finance the maintenance fee, which will further erode the investment returns of the Hangzhou Property. Having considered the above, the Directors are of the view that it is a preferred option to realise the investment in the Disposal Group.

Further, the Directors believe that the Disposal is beneficial to the Group in enhancing its working capital position and optimizing the allocation of resources. The Group intends to use the estimated net proceeds from the Disposal of approximately HK\$72.4 million as general working capital and/or for future investment should such opportunities arise.

After carefully weighing various aforementioned factors (particularly the historical financial performance of the Disposal Group and the anticipated incurrence of significant maintenance costs), the Board is of the view that the Disposal provides a valuable opportunity for the Group to realise its investment in the Disposal Group in return for immediate cash inflow. In light of the above, the Board is of the view that the Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion, the Company will cease to hold any interest in the members of the Disposal Group. Accordingly, the assets, liabilities and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.





“Company”	Blue River Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0498.HK)
“Completion”	completion of the Disposal
“Completion Accounts”	an unaudited consolidated management accounts of the Disposal Group as at the date of Completion
“Completion NAV”	means (i) the aggregate of all assets of the Disposal Group which are readily convertible into cash or cash equivalents (excluding the Hangzhou Property) less (ii) the aggregate of all liabilities of the Disposal Company (but excluding the Sale Loan and deferred tax liabilities) at Completion
“Condition(s) Precedent”	the condition(s) precedent to the Completion as set out in the paragraph headed “Conditions Precedent” under the section headed “THE AGREEMENT” in this announcement
“Consideration”	the consideration for the Sale Share and the assignment of the Sale Loan, being an amount equivalent to the total sum of the Original Purchase Price and the Completion NAV
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan by the Vendor, pursuant to the terms and conditions of the Agreement
“Disposal Company”	Great Decision Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries
“Group”	the Company and its subsidiaries
“Hangzhou Company”	杭州先鋒科技開發有限公司 (Hangzhou Pioneer Technology Development Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Disposal Company

“Hangzhou Property”	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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	the third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Purchase Price”	the sum of HK\$72,000,000
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Zhongjian Huaxia Group (HK) Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	means all amounts owing by the Disposal Company to the Vendor at Completion
“Sale Share”	One (1) ordinary share issued by the Disposal Company, being the entire issued share capital of the Disposal Company as at the date of this announcement
“Share(s)”	share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” Grand Scheme Developments Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

\* *For identification purpose only*

*For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1.00 to HK\$1.18. 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.*

By Order of the Board

**Blue River Holdings Limited**

**HO Sze Nga**

*Company Secretary*

Hong Kong, 10 May 2022

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

*Executive Directors:*

Benny KWONG (*Chairman*)

AU Wai June

Marc TSCHIRNER

SAM Hing Cheong

*Independent Non-Executive Directors:*

LEUNG Chung Ki

MA Ka Ki

William GILES