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Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the “**Board**”) of Blue River Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2022.

RESULTS
CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2022

		Unaudited	
		Six-months ended	
		30 September	
		2022	2021
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue			
Sales and services income	3	4,612,842	4,557,122
Interest income	3	184	18,879
Others	3	6,824	6,790
		4,619,850	4,582,791
Cost of sales		(4,417,099)	(4,361,761)
Gross profit		202,751	221,030
Other income	5	5,719	145,957
Administrative expenses		(255,153)	(255,042)
Distribution and selling expenses		(7,921)	(13,986)
Other gains and losses	6	(25,437)	195,653
Fair value changes of financial assets measured at fair value through profit or loss (“FVPL”)	7	—	(1,169,467)
Other expenses		—	(2,008)
Impairment loss recognised on financial assets and contract assets, net	8	(1,975)	(14,876)
Write-down of stock of properties	17	(113,163)	(116,895)
Finance costs	9	(38,855)	(28,718)
Fair value changes of investment properties	15	(28,714)	(232,570)
Share of results of associates		25,465	(719)
Share of results of joint ventures		(2,074)	(1,599)
Loss before taxation	10	(239,357)	(1,273,240)
Taxation	11	19,438	196,867
Loss for the period		(219,919)	(1,076,373)
Loss for the period attributable to:			
Owners of the Company		(169,430)	(1,037,010)
Non-controlling interests		(50,489)	(39,363)
		(219,919)	(1,076,373)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	12	(15.3)	(93.9)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Unaudited Six-months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Loss for the period	(219,919)	(1,076,373)
OTHER COMPREHENSIVE (EXPENSE) INCOME		
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets measured at fair value through other comprehensive income (“FVOCI”), net of tax	(57,453)	(50,201)
Share of other comprehensive income of an associate	(305)	—
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising from translation of foreign operations	(74,878)	23,847
Share of exchange differences of associates and joint ventures	—	(130)
Reclassification adjustment on deemed disposal of an associate and a joint venture	—	11,524
Other comprehensive expense for the period	(132,636)	(14,960)
Total comprehensive expense for the period	(352,555)	(1,091,333)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(284,699)	(1,057,149)
Non-controlling interests	(67,856)	(34,184)
	(352,555)	(1,091,333)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	<i>Notes</i>	Unaudited 30.9.2022 HK\$'000	Audited 31.3.2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	275,013	308,604
Right-of-use assets	14	112,333	123,246
Investment properties	15	364,459	436,576
Project under development		165,940	185,150
Goodwill		5,523	5,523
Other intangible assets		141,139	156,850
Interests in associates		474,018	644,351
Interests in joint ventures		16,957	18,816
Financial assets measured at FVOCI	16	183,407	248,248
		1,738,789	2,127,364
CURRENT ASSETS			
Stock of properties	17	585,432	771,058
Inventories of finished goods		1,252	1,302
Loan receivables	18	177,226	196,626
Amounts due from an associate		5,820	5,820
Amounts due from joint ventures		8,676	4,289
Amounts due from joint operations/other partners of joint operations		157,413	218,269
Amounts due from former subsidiaries in liquidation	19	81,198	197,778
Trade and other receivables	20	2,867,743	2,400,395
Contract assets	21	4,536,673	4,130,827
Taxation recoverable		998	4,553
Pledged bank deposits and restricted cash		97,009	45,423
Short-term bank deposits		64,945	55,394
Bank balances and cash		617,672	887,970
		9,202,057	8,919,704
Assets classified as held for sale	25	69,004	79,411
		9,271,061	8,999,115

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	<i>Notes</i>	Unaudited 30.9.2022 HK\$'000	Audited 31.3.2022 HK\$'000
CURRENT LIABILITIES			
Trade and other payables	22	5,409,342	5,431,410
Contract liabilities	21	223,083	340,521
Lease liabilities		38,731	36,910
Amounts due to a joint venture		3,937	60
Amounts due to joint operations/other partners of joint operations		442,435	97,544
Amounts due to former subsidiaries in liquidation	19	18,857	18,857
Amounts due to non-controlling shareholders		97,191	107,413
Taxation payable		28,926	29,479
Bank and other borrowings	23	1,517,450	1,438,846
		7,779,952	7,501,040
Liabilities associated with assets classified as held for sale	25	5,407	9,089
		7,785,359	7,510,129
NET CURRENT ASSETS		1,485,702	1,488,986
TOTAL ASSETS LESS CURRENT LIABILITIES		3,224,491	3,616,350
NON-CURRENT LIABILITIES			
Bank and other borrowings	23	239,647	221,847
Lease liabilities		38,748	46,679
Deferred tax liabilities		264,990	314,596
Obligations in excess of interests in associates		2,499	2,066
		545,884	585,188
NET ASSETS		2,678,607	3,031,162
CAPITAL AND RESERVES			
Share capital	24	110,392	110,392
Reserves		1,764,722	2,049,421
Equity attributable to owners of the Company		1,875,114	2,159,813
Non-controlling interests		803,493	871,349
TOTAL EQUITY		2,678,607	3,031,162

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Blue River Holdings Limited (the “**Company**”) is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

The Company and its subsidiaries (together the “**Group**”) is principally engaged in, *inter alia*, development and operation of ports, infrastructure, gas distribution and logistics facilities in the People’s Republic of China (the “**PRC**”), providing comprehensive engineering and property-related services through Paul Y. Engineering Group Limited (“**Paul Y. Engineering**”), land and property development and investment in the PRC, as well as securities trading and investment, and provision of financing related services.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those adopted in the Group’s annual financial statements for the year ended 31 March 2022 except for the application of the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Revenue is analysed as follows:

	Unaudited Six-months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Sales and services income:		
Income from construction contracts	4,555,758	4,500,696
Income from property development management services	13,795	576
Income from port related services	843	905
Sale of LPG and CNG products	42,446	54,945
	4,612,842	4,557,122
Interest income:		
Interest income from loan receivables	184	3,065
Interest income from financial assets measured at FVPL		
- investments in debt instruments held for trading	—	10,573
- investments in convertible bonds	—	5,241
	184	18,879
Others:		
Property rental income	6,824	4,465
Dividend income from financial assets measured at FVPL		
- investments in equity instruments held for trading	—	2,325
	6,824	6,790
	4,619,850	4,582,791

Revenue from contracts with customers includes (i) income from construction contracts, property development management services and port related services that are recognised over time and (ii) revenue from sale of liquefied petroleum gas (“LPG”) and compressed natural gas (“CNG”) products that are recognised at a point in time.

4. SEGMENT INFORMATION

The operating segments of the Group are determined based on information reported to executive directors, the Group's chief operating decision makers, for the purposes of resources allocation and performance assessment.

The information focuses more specifically on the strategic operation and development of each business unit and its performance is evaluated through organising business units with similar economic characteristics into an operating segment.

The operating and reportable segments for the current period are as follows:

Engineering	- Building construction, civil engineering, property development management, project management and facilities management services
Ports and logistics	- Ports development, operation of ports, LPG, CNG and liquefied natural gas ("LNG") distribution and logistics businesses
Property	- Development, investment, sale and leasing of real estate properties, developed land, land under development and projects under development
Securities	- Investment and trading of securities
Financial services	- Provision of loan financing, financial related services and cash management

The Company assesses the performance of the operating segments based on a measure of earnings or loss before interest expense and tax ("EBIT" or "LBIT") and earnings or loss before interest expense, tax, depreciation and amortisation ("EBITDA" or "LBITDA").

4. SEGMENT INFORMATION – CONTINUED

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment for the period under review:

For the six months ended 30 September 2022 (Unaudited)

	Engineering HK\$'000	Ports and logistics HK\$'000	Property HK\$'000	Securities HK\$'000	Financial services HK\$'000	Segment total and consolidated HK\$'000
Revenue	4,569,553	43,289	6,824	—	184	4,619,850
EBITDA (LBITDA)*	63,099	(3,481)	(163,138)	655	21,637	(81,228)
Depreciation and amortisation**	(49,866)	(3,150)	(8,846)	—	—	(61,862)
Segment results – EBIT (LBIT)	13,233	(6,631)	(171,984)	655	21,637	(143,090)
Corporate and other expenses***						(40,630)
Net exchange loss						(16,782)
Finance costs						(38,855)
Loss before taxation						(239,357)
Taxation						19,438
Loss for the period						(219,919)

For the six months ended 30 September 2021 (Unaudited)

	Engineering HK\$'000	Ports and logistics HK\$'000	Property HK\$'000	Securities HK\$'000	Financial services HK\$'000	Segment total and consolidated HK\$'000
Revenue	4,501,272	55,850	4,465	12,898	8,306	4,582,791
EBITDA (LBITDA)*	265,379	(10,184)	(377,265)	(1,157,652)	(6,196)	(1,285,918)
Depreciation and amortisation**	(25,802)	(6,070)	(2,281)	—	—	(34,153)
Segment results – EBIT (LBIT)	239,577	(16,254)	(379,546)	(1,157,652)	(6,196)	(1,320,071)
Corporate and other expenses***						(69,508)
Net exchange gain						3,867
Distribution from former subsidiaries in liquidation						141,190
Finance costs						(28,718)
Loss before taxation						(1,273,240)
Taxation						196,867
Loss for the period						(1,076,373)

* Gain on remeasurement of interest in Paul Y. Engineering to provisional fair value of approximately HK\$212,227,000 (2022: Nil) had been recognised in the Engineering segment for the six months ended 30 September 2021.

** Includes depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets.

*** Represents mainly unallocated administrative expenses and includes unallocated depreciation of approximately HK\$5,095,000 (2021: HK\$4,960,000).

4. SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

At 30 September 2022 (Unaudited)

	Engineering HK\$'000	Ports and logistics HK\$'000	Property HK\$'000	Securities HK\$'000	Financial services HK\$'000	Segment total and consolidated HK\$'000
ASSETS						
Segment assets	8,659,980	257,403	1,356,829	85,821	440,769	10,800,802
Unallocated assets*						209,048
Consolidated total assets						11,009,850
LIABILITIES						
Segment liabilities	7,308,588	45,182	791,061	—	105,640	8,250,471
Unallocated liabilities*						80,772
Consolidated total liabilities						8,331,243

At 31 March 2022 (Audited)

	Engineering HK\$'000	Ports and logistics HK\$'000	Property HK\$'000	Securities HK\$'000	Financial services HK\$'000	Segment total and consolidated HK\$'000
ASSETS						
Segment assets	8,125,842	296,366	1,653,157	128,800	678,569	10,882,734
Unallocated assets*						243,745
Consolidated total assets						11,126,479
LIABILITIES						
Segment liabilities	7,006,409	38,088	873,233	—	150,885	8,068,615
Unallocated liabilities*						26,702
Consolidated total liabilities						8,095,317

* As at 30 September 2022, unallocated assets include amounts due from former subsidiaries in liquidation of HK\$81,198,000 (31.3.2022: HK\$197,778,000), while the unallocated liabilities include amounts due to former subsidiaries in liquidation of approximately HK\$18,857,000 (31.3.2022: HK\$18,857,000).

Segment assets and liabilities comprise assets and liabilities of the operating subsidiaries and joint operations, as well as certain interests in associates, joint ventures and investments in equity instruments that are engaged in relevant segmental businesses. Accordingly, segment assets exclude corporate assets which are mainly certain bank balances and cash, interests in joint ventures, right-of-use assets and other receivables, and segment liabilities exclude corporate liabilities which are mainly certain other payables and lease liabilities.

For the purpose of resources allocation and assessment of segment performance, deferred tax liabilities are allocated to segment liabilities but the related deferred tax credit/charge are not reported to the executive directors of the Company as part of segment results.

5. OTHER INCOME

	Unaudited Six-months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Bank and other interest income	567	1,055
Rental income from short-term leasing of stock of properties	—	814
Distributions from former subsidiaries in liquidation	—	141,190
Dividend income from financial assets measured at FVOCI	1,899	—
Sundry income	3,253	2,898
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	5,719	145,957
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6. OTHER GAINS AND LOSSES

	Unaudited Six-months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Net exchange (loss) gain	(16,782)	3,867
Gain on deemed disposal of interests in an associate and a joint venture		
- Gain on remeasurement of interest in an associate to provisional fair value	—	212,227
- Release of exchange deficit	—	(11,524)
	—	200,703
Impairment loss on property, plant and equipment	(7,577)	(20,000)
(Loss) gain on disposal of property, plant and equipment	(1,078)	11,079
Others	—	4
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	(25,437)	195,653
	<hr/>	<hr/>

7. FAIR VALUE CHANGES OF FINANCIAL ASSETS MEASURED AT FVPL

	Unaudited Six-months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Loss on changes in fair value of investments in debt instruments held for trading	—	(120,438)
Loss on changes in fair value of investments in equity instruments held for trading	—	(1,047,921)
Loss on changes in fair value of investments in convertible bonds	—	(1,108)
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	—	(1,169,467)
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8. IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS AND CONTRACT ASSETS, NET

	Unaudited Six-months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Impairment loss reversed on loan receivables	600	1,310
Impairment loss recognised on contract assets and trade and other receivables (including interest receivables)	(2,575)	(3,149)
Impairment loss recognised on amounts due from associates	—	(13,037)
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	(1,975)	(14,876)
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9. FINANCE COSTS

	Unaudited Six-months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Borrowing costs on:		
Bank borrowings	31,673	23,209
Imputed interest expense on lease liabilities	1,526	1,672
Other borrowings	5,656	3,837
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	38,855	28,718
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10. LOSS BEFORE TAXATION

	Unaudited	
	Six-months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Amortisation of other intangible assets	15,547	48
Cost of inventories recognised as an expense	37,264	38,557
Depreciation of right-of-use assets	21,032	20,217
Depreciation of property, plant and equipment:		
Amount provided for the period	30,468	18,945
Less: Amount capitalised in respect of properties under development for sale (included in stock of properties)	(11)	(12)
Amount capitalised in respect of construction in progress (included in property, plant and equipment)	(73)	(79)
Amount capitalised in respect of investment properties under development	(6)	(6)
	<u>30,378</u>	<u>18,848</u>

11. TAXATION

	Unaudited	
	Six-months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Taxation charge (credit) comprises:		
Current tax:		
Hong Kong	1,250	22
The PRC	213	290
Macau	—	245
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	1,463	557
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(Overprovision) underprovision in prior periods:		
Hong Kong	72	—
The PRC	(225)	208
Macau	(504)	(259)
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	(657)	(51)
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Deferred taxation:		
Land Appreciation Tax (“LAT”)	(10,022)	(52,682)
Others	(10,222)	(144,691)
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	(20,244)	(197,373)
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	(19,438)	(196,867)
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Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The tax rate for the Group’s subsidiaries in the PRC is 25% for both periods. Macau complementary tax is levied at progressive rates ranging from 3% to 12% on the taxable income.

LAT is levied on properties developed by the Group for sale in the PRC, at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including the cost of land and relevant property development expenditures.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company for the period is based on the following data:

	Unaudited Six-months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(169,430)	(1,037,010)
	<hr/>	<hr/>
	Unaudited Six-months ended 30 September	
	2022	2021
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,103,916,114	1,103,916,114
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Diluted loss per share is equal to the basic loss per share as the Company does not have any dilutive potential ordinary shares outstanding during both periods.

13. DISTRIBUTION

No dividend was recognised as distribution during both periods. The board of directors of the Company has resolved not to declare any dividend for the six months ended 30 September 2022 (2021: Nil).

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$21,545,000 (2021: HK\$26,488,000), included the addition to construction in progress amounting to approximately HK\$4,606,000 (2021: HK\$7,241,000) were incurred.

During the period, the Group entered into new lease agreements for the use of land and building, thereby recognised right-of-use assets and lease liabilities of approximately HK\$15,562,000 (2021: HK\$25,974,000) and HK\$15,557,000 (2021: HK\$25,943,000) respectively.

15. INVESTMENT PROPERTIES

	Developed land HK\$'000 (note a)	Land under development HK\$'000 (note b)	Total HK\$'000
FAIR VALUE			
At 31 March 2022 (Audited)	321,552	115,024	436,576
Exchange realignment	(32,995)	(11,094)	(44,089)
Additions	—	686	686
Net decrease in fair value recognised in the condensed consolidated income statement	(8,535)	(20,179)	(28,714)
At 30 September 2022 (Unaudited)	280,022	84,437	364,459

notes:

- (a) In prior years, the Group completed the reclamation of certain land area and obtained the certificate of completion of land reclamation (the “**Certificate**”) issued by qualified project engineering and construction manager in respect of certain land area (the “**Formed Land**”) in Jiangsu Province, the PRC. Upon obtaining the Certificate, such Formed Land held for capital appreciation had been recognised as developed land and classified and accounted for as investment properties.
- (b) In connection with the reclamation of certain land area in Jiangsu Province, the PRC, the Group commenced, but not yet completed, the land leveling process (mainly representing the sand filling work to achieve leveling of the area) (the “**Land Being Formed**”). Upon the commencement of land leveling process, the Land Being Formed that held for rentals and/or capital appreciation as investment properties had been recognised as land under development and classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 September 2022 and 31 March 2022 have been arrived at on the basis of valuations carried out as at those dates by independent qualified professional valuers not connected with the Group. The management works closely with the external qualified professional valuers to establish the appropriate valuation and inputs for fair value measurement and reports to the board of directors from period to period.

In determining the fair value of properties in the PRC, the highest and best use of the properties is their current use. The comparison method is adopted under which comparison based on information of recent transacted prices of comparable properties is made. Comparable properties of similar characteristics and location are analysed in order to arrive at a fair comparison of capital values.

In determining the fair value of Formed Land, the highest and best use of the Formed Land is for tourist and resort use, which correlates to the zoning of the area for tourist resort by the government. The comparison method is adopted under which comparison based on information of recent transacted prices of comparable lands is made. Comparable lands of similar characteristics and location are analysed in order to arrive at a fair comparison of capital values. Certain costs, including government levies and all necessary fees and expenses associated with the change of the Formed Land for tourist and resort use to be charged by the government, which are the best estimate based on the latest information available to the management of the Company, have been considered in arriving the fair value of the Formed Land.

15. INVESTMENT PROPERTIES – CONTINUED

In determining the fair value of Land Being Formed, the same highest and best use and the same comparison method are adopted and valuation has been considered for further costs to be expended for the development of the Land Being Formed into Formed Land. Further costs for completing the land leveling process and other development works as at 30 September 2022 are estimated to be approximately HK\$552 million (31.3.2022: HK\$616 million).

Key inputs used in valuing the investment properties including market price of comparable lands with an average comparable land price of RMB420 per square metre (31.3.2022: RMB431 per square metre). The key inputs have taken into account of the difference in the nature, location and condition of the land. The increase in the market price would result in an increase in the fair value of the investment properties, and vice versa.

One of the key unobservable inputs is the 20% of saleable land discount on the comparable lands applied by the valuer in valuing the Formed Land and Land Being Formed. A slight change in the saleable land discount used would result in a significant change in fair value measurement of the Formed Land and Land Being Formed, while a slight change in other unobservable inputs in valuing the leasehold properties would have no significant effect to their fair value.

For the Formed Land, the Group may have to obtain certain appropriate certificates for the disposal. Based on past experience, it is considered that there is no material impediment to obtain these certificates for the Group.

16. FINANCIAL ASSETS MEASURED AT FVOCI

	Unaudited	Audited
	30.9.2022	31.3.2022
	HK\$'000	HK\$'000
Listed equity securities, at quoted market price in Hong Kong	85,173	128,790
PRC unlisted equity securities (<i>note</i>)	98,234	119,458
	183,407	248,248

note:

The investment in unlisted equity securities represents 9.9% equity interest in Jiangsu Yangkou Port Development and Investment Co., Ltd. ("**Yangkou Port Co**"), which is engaged in the business of development of port and related infrastructures. As at 30 September 2022, the investment is stated at fair value of approximately HK\$98,234,000 (31.3.2022: HK\$119,458,000).

A reasonable estimate of fair value is determined by using valuation techniques appropriate to the market and industry of each investment. Valuation techniques used to support these valuations include the asset-based approach which uses the fair market value of its total assets minus its total liabilities, and the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets or businesses.

In determining the fair value of property assets of Yangkou Port Co under the asset-based approach, the comparison method is adopted under which comparison based on information of recent transacted prices of comparable lands is made. Comparable properties of similar characteristic and location are analysed in order to arrive at a fair comparison of capital values.

A key unobservable input being 20% of saleable land discount on comparable lands of Yangkou Port Co to discount the fair value of properties by approximately HK\$1,431 million (31.3.2022: HK\$1,876 million), has been applied in valuing the properties. A slight increase in the saleable land discount used would result in a significant decrease in fair value measurement of the properties and hence of the unlisted equity securities, and vice versa. A 5% increase in the saleable land discount (i.e. revised to 25%), holding all other variables constant, carrying amount of the properties would decrease by approximately HK\$358 million (31.3.2022: HK\$458 million), and fair value of the Group's investment in corresponding equity instrument would decrease by approximately HK\$17 million (31.3.2022: HK\$18 million).

17. STOCK OF PROPERTIES

	Unaudited	Audited
	30.9.2022	31.3.2022
	HK\$'000	HK\$'000
Properties under development for sale (<i>note a</i>)	391,684	531,842
Completed properties held for sale (<i>note b</i>)	193,748	239,216
	585,432	771,058

notes:

- (a) Properties under development for sale are mainly situated Jiangsu Province, the PRC. They comprise (i) Land Being Formed which is being developed for future sale and (ii) Formed Land which is also developed for future sale in the ordinary course of business.

At 30 September 2022, properties under development for sale amounting to approximately HK\$222,073,000 (31.3.2022: HK\$283,129,000) are carried at net realisable value in which write-down of stock of properties of approximately HK\$91,576,000 (2021: HK\$27,283,000) has been recognised during the period.

At 30 September 2022, properties under development for sale include Formed Land of approximately HK\$214,459,000 (31.3.2022: HK\$280,915,000) for which the Group may have to obtain certain appropriate certificates for the disposal of the Formed Land. Based on the past experience, the directors of the Company consider that there is no material impediment to obtain these certificates for the Group.

- (b) Completed properties held for sale are situated in Jiangsu Province, the PRC. At 30 September 2022, completed properties held for sale amounting to approximately HK\$193,748,000 (31.3.2022: HK\$238,532,000) are carried at net realisable value in which write-down of stock of properties of approximately HK\$21,587,000 (2021: HK\$89,612,000) has been recognised during the period.

The write-down of stock of properties in aggregate of approximately HK\$113,163,000 (2021: HK\$116,895,000) recognised during the period are mainly attributable to the further decline in net realisable value of the properties as impacted by the uncertainty in the macroeconomic conditions and the government's tightening measures to the PRC property market.

The net realisable values of the properties under development for sale have been arrived on the basis of valuation carried out by independent qualified professional valuers not connected with the Group. In determining the net realisable values, the expected proceeds from the sales of properties are deducted by the anticipated costs, including government levies, construction cost and all necessary expenses associated with the completion of property development and applicable selling expenses, which have also taken into account the discount factor of the lengthened sales and development cycle under current regulatory and economic circumstances.

The net realisable value for the completed properties held for sale represents the sales proceeds estimated based on the comparable properties of similar characteristic and location under prevailing market condition, less applicable selling expenses.

18. LOAN RECEIVABLES

	Unaudited 30.9.2022 HK\$'000	Audited 31.3.2022 HK\$'000
The amounts, net of allowance, include:		
Fixed-rate loan receivables (<i>note a</i>)	—	19,400
Other loan receivables (<i>note b</i>)	177,226	177,226
	<u>177,226</u>	<u>196,626</u>

notes:

- (a) As at 31 March 2022, the gross amount of loans receivables of approximately HK\$20,000,000, before netting off cumulative loss allowance of approximately HK\$600,000, was unsecured, bore fixed interest rates at 5% per annum and repayable within one year.
- (b) Other loan receivables represent advances made by Paul Y. Engineering to a subsidiary of its former controlling shareholder for its trade balance settlement which is covered by the retention right over the building constructed under the construction contracts, of which legal action has been taken in recovery of receivables.

19. AMOUNTS DUE FROM/TO FORMER SUBSIDIARIES IN LIQUIDATION

	Unaudited 30.9.2022 HK\$'000	Audited 31.3.2022 HK\$'000
Amounts due from former subsidiaries in liquidation	174,561	291,141
Less: Impairment loss	(93,363)	(93,363)
	<u>81,198</u>	<u>197,778</u>
Amounts due to former subsidiaries in liquidation	<u>18,857</u>	<u>18,857</u>

The amounts due from/to former subsidiaries in liquidation were classified as current assets and current liabilities respectively as the Group does not have a legally enforceable right to set off these amounts in accordance with section 35 of the Hong Kong Bankruptcy Ordinance. During the period, the liquidators made cash distributions of approximately HK\$116,580,000 to the Group and reduced the gross amounts due from former subsidiaries in liquidation from HK\$291,141,000 to HK\$174,561,000.

20. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	30.9.2022	31.3.2022
	HK\$'000	HK\$'000
Trade receivables	1,442,535	1,407,471
Less: Impairment allowance	(2,330)	(133)
	1,440,205	1,407,338
Advance payments to sub-contractors	184,394	209,768
Construction and material purchase costs paid on behalf of sub-contractors	652,071	487,938
Disposal consideration receivable	—	16,503
Other debtors, deposits and prepayments	591,073	278,848
	2,867,743	2,400,395

Trade receivables mainly arise from management contracting business. The Group's credit terms for customers are normally ranging from 60 to 90 days. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its customers.

The ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited	Audited
	30.9.2022	31.3.2022
	HK\$'000	HK\$'000
Within 90 days	381,800	331,862
More than 90 days and within 180 days	2,658	10,436
More than 180 days	1,055,747	1,065,040
	1,440,205	1,407,338

Included in the trade receivables aged more than 180 days, there are amounts of approximately HK\$1,017,986,000 (31.3.2022: HK\$1,017,986,000) due from subsidiaries of Paul Y. Engineering's former controlling shareholder which are covered by the retention right over the building constructed under the construction contracts, of which legal action has been taken in recovery of receivables.

As at 30 September 2022, construction and material purchase costs paid on behalf of sub-contractors includes the amount of HK\$143,406,000 (31.3.2022: HK\$77,710,000) paid on behalf of a joint venture.

Trade receivables of approximately HK\$9,680,000 (31.3.2022: HK\$834,000) are included in the amounts due from joint operations/other partners of joint operations which have a credit period of 90 days. Such trade receivable balances of approximately HK\$877,000 (31.3.2022: HK\$297,000), HK\$8,392,000 (31.3.2022: HK\$187,000) and HK\$411,000 (31.3.2022: HK\$350,000) are aged within 90 days, more than 90 days and within 180 days and more than 180 days, respectively, based on the invoice date at the end of the reporting period. Trade receivables of approximately HK\$3,063,000 (31.3.2022: Nil) are included in the amounts due from joint ventures which have a credit period of 90 days and are aged within 90 days based on the invoice date at the end of the reporting period.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

		Unaudited 30.9.2022 <i>HK\$'000</i>	Audited 31.3.2022 <i>HK\$'000</i>
	<i>notes</i>		
Retentions held by customers	<i>(a)</i>	1,296,797	1,246,569
Unbilled revenue of construction contracts	<i>(b)</i>	3,419,457	3,106,648
Advances from customers of construction contracts	<i>(c)</i>	(402,607)	(561,937)
Advances from customers of other services contracts		(57)	(974)
		4,313,590	3,790,306
Analysed as:	<i>(d)</i>		
Contract assets		4,536,673	4,130,827
Contract liabilities		(223,083)	(340,521)
		4,313,590	3,790,306
Retentions held by customers expected to be settled:			
– within 12 months from the end of the reporting period		726,964	696,975
– after 12 months from the end of the reporting period		569,833	549,594
		1,296,797	1,246,569

notes:

- (a) Retention held by customers represents the Group's right to consideration for works performed and the rights are conditional upon the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The retention held by customers are transferred to trade receivables when the rights become unconditional, which is typically at the expiration of the defect liability period.
- (b) Unbilled revenue represents the Group's right to consideration for works completed and not yet certified because the rights are conditional upon the satisfaction by the customers on the construction works completed by the Group and the works is pending for the certification by the customers. The unbilled revenue are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction works from the customers.
- (c) Advances from customers include the non-refundable payment received from customers, for which the Group has obligation to transfer goods or services to customers.
- (d) A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis. The Group classifies the contract assets as current because the Group expects to realise them in its normal operating cycle. Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified as current.

As at 30 September 2022, contract assets relating to joint ventures amounted to HK\$342,884,000 (31.3.2022: HK\$420,217,000).

22. TRADE AND OTHER PAYABLES

	Unaudited 30.9.2022 HK\$'000	Audited 31.3.2022 HK\$'000
Trade payables ageing analysis based on invoice date:		
Within 90 days	994,803	609,398
More than 90 days and within 180 days	20,162	91,801
More than 180 days	65,245	25,436
	<hr/> 1,080,210	<hr/> 726,635
Retentions held by the Group	1,306,888	1,263,895
Accrued construction costs	2,249,836	2,680,969
Other payables and accrued expenses	772,408	759,911
	<hr/> 5,409,342	<hr/> 5,431,410
	<hr/> <hr/>	<hr/> <hr/>
Retentions held by the Group expected to be settled:		
– within 12 months from the end of the reporting period	865,654	862,627
– after 12 months from the end of the reporting period	441,234	401,268
	<hr/> 1,306,888	<hr/> 1,263,895
	<hr/> <hr/>	<hr/> <hr/>

Trade payables of approximately HK\$518,000 (31.3.2022: HK\$569,000) are included in the amounts due to joint operations/other partners of joint operations which have a credit period of 90 days. Such trade payable balances are aged more than 180 days based on the invoice date at the end of the reporting period.

23. MOVEMENTS IN BANK AND OTHER BORROWINGS

During the period, the Group raised new bank and other borrowings of approximately HK\$1,032,129,000 (2021: HK\$441,281,000) and repaid approximately HK\$895,630,000 (2021: HK\$411,319,000). The secured bank and other borrowings as at 30 September 2022 were approximately HK\$1,536,534,000 (31.3.2022: HK\$1,388,326,000).

As at 30 September 2022, one of the financial covenant requirements set for Paul Y. Engineering in its subsidiaries' banking facilities could not be fulfilled. The extent of such banking facilities utilised by its subsidiaries as at 30 September 2022 amounted to HK\$359,662,000. Up to the date of this announcement, the relevant bank has intention to lower the financial covenant requirement and is considering the formal waiver. The utilisation of the banking facilities was maintained normally at the date of this announcement.

24. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2021, 30 September 2021, 31 March 2022 and 30 September 2022	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2021, 30 September 2021, 31 March 2022 and 30 September 2022	1,103,916,114	110,392

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

In March 2022, the Group decided to realise its investment in a building known as “Pioneer Technology Building” in Hangzhou, the PRC, through disposal of the entire equity interest of the building’s investment holding companies (“Disposal Group”) and negotiation with several interested parties had been taken place. The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months, have been reclassified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as follows:

	Unaudited 30.9.2022 HK\$'000	Audited 31.3.2022 HK\$'000
Property, plant and equipment	151	773
Right-of-use assets	—	2,813
Investment properties	63,024	70,320
Trade and other receivables	369	479
Bank balances and cash	5,460	5,026
Total assets classified as held for sale	69,004	79,411
Trade and other payables	5,407	6,354
Lease liabilities	—	2,458
Taxation payable	—	277
Total liabilities associated with assets classified as held for sale	5,407	9,089

On 9 September 2022, the Group entered into an agreement for the disposal of the Disposal Group at a consideration of RMB65 million (equivalent to approximately HK\$72 million). The disposal was completed subsequently to the reporting period on 31 October 2022.

26. EVENTS AFTER THE REPORTING PERIOD

On 7 October 2022, the Group entered into a conditional agreement to subscribe for 24.64% equity interest in Hope Capital Limited (“**Hope Capital**”) at a consideration of HK\$75 million. Hope Capital’s direct wholly-owned subsidiary Hope Securities Limited is licensed to carry out regulated activities in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) under the Securities and Futures Ordinance in Hong Kong and is principally engaged in the provision of one-stop integrated financial services including securities brokerage and margin financing services. The subscription was completed on 10 October 2022.

On 27 October 2022, the Group entered into a conditional agreement to acquire the entire equity interest in and the shareholder’s loan of Vogalsan Limited (“**Vogalsan**”) at the total consideration of HK\$65 million. Vogalsan is principally engaged in property investment through its direct wholly-owned subsidiary which holds a floor of office premises and three car parking spaces of a commercial building in Chai Wan, Hong Kong. The acquisition was completed on 18 November 2022.

On 4 November 2022, the Group irrevocably and unconditionally reassigned the voting right of a block of approximately 10% shareholding in Paul Y. Engineering (the “**Voting Rights**”) to the third party who had irrevocably and unconditionally assigned such Voting Rights to the Group on 1 June 2021 at nil consideration (the “**Reassignment**”). Upon the Reassignment, the Group’s voting rights in Paul Y. Engineering decreased from approximately 58.23% to approximately 48.23% and the Group no longer retained majority control of the voting rights at any general meetings of Paul Y. Engineering. Accordingly, Paul Y. Engineering had become an associate of the Company and ceased to be recognised as a subsidiary of the Company, and the financial results of Paul Y. Engineering will no longer be consolidated into the financial statements of the Group (the “**Deemed Disposal**”). On 5 November 2022, Paul Y. Engineering completed its right issue and allotted 1,516,147,126 rights shares at a subscription price of HK\$0.33 each to its qualified shareholders, resulting in a dilution of the Company’s equity interest in Paul Y. Engineering from approximately 48.23% to approximately 29.75% (the “**Dilution**”). As the Deemed Disposal and Dilution were effected shortly before the date of approval of the consolidated financial statements, it is not practicable to disclose further financial impact on the Deemed Disposal and Dilution.

On 14 November 2022, the Group entered into a conditional agreement for the disposal of the remaining 29.75% equity interest in Paul Y. Engineering to the current controlling shareholder of Paul Y. Engineering at the consideration of HK\$300 million. The disposal is subject to fulfillment of various conditions precedent and has not been completed up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the six months ended 30 September 2022, the Group recorded a consolidated revenue of approximately HK\$4,620 million (2021: HK\$4,583 million) and gross profit of approximately HK\$203 million (2021: HK\$221 million). During the period, the Group recorded a loss before taxation of approximately HK\$239 million (2021: HK\$1,273 million), which was composed of:

- (i) net gain of approximately HK\$13 million (2021: HK\$240 million) in engineering segment;
- (ii) net loss of approximately HK\$7 million (2021: HK\$16 million) in ports and logistics segment;
- (iii) net loss of approximately HK\$172 million (2021: HK\$380 million) in property segment;
- (iv) net gain of approximately HK\$1 million (2021: loss of HK\$1,158 million) in securities segment;
- (v) net gain of approximately HK\$22 million (2021: loss of HK\$6 million) in financial services segment;
- (vi) net corporate and other expenses of approximately HK\$40 million (2021: HK\$69 million);
- (vii) net exchange loss of approximately HK\$17 million (2021: gain of HK\$4 million);
- (viii) other income from the distribution from former subsidiaries in liquidation of nil (2021: HK\$141 million); and
- (ix) finance costs of approximately HK\$39 million (2021: HK\$29 million).

After taking into account the tax credit of approximately HK\$19 million (2021: HK\$197 million), the Group recorded loss for the period of approximately HK\$220 million (2021: HK\$1,076 million).

Net loss for the period attributable to the owners of the Company was approximately HK\$169 million (2021: HK\$1,037 million) and basic loss per share was approximately HK15.3 cents (2021: HK93.9 cents). The net loss was mainly attributable to (a) write-down of stock of properties of approximately HK\$79 million (2021: HK\$95 million), after netting off relevant deferred tax credit of approximately HK\$8 million (2021: HK\$6 million) and share of loss by non-controlling interest of approximately HK\$26 million (2021: HK\$16 million); (b) loss on fair value changes of investment properties of approximately HK\$15 million (2021: HK\$123 million), after netting off relevant deferred tax credit of approximately HK\$9 million (2021: HK\$88 million) and share of loss by non-controlling interest of approximately HK\$5 million (2021: HK\$22 million); (c) finance costs of approximately HK\$39 million (2021: HK\$29 million); and (d) the net exchange loss of approximately HK\$17 million (2021: gain of HK\$4 million).

The decrease in net loss for the period was mainly due to the net impact of (a) the absence of fair value loss of investments in equity and debt instruments held for trading, as compared with the net fair value loss in the last period of approximately HK\$1,065 million (after netting off relevant deferred tax credit of approximately HK\$103 million from the fair value loss of approximately HK\$1,168 million); and (b) the absence of gain on remeasurement of interest in an associate to fair value, as compared with the gain in the last period of approximately HK\$212 million on the remeasurement of the Group's 48.23% equity interest in Paul Y. Engineering to provisional fair value at the deemed acquisition date of 1 June 2021.

When compared with the Group's financial position as at 31 March 2022, total assets decreased by 1% to approximately HK\$11,010 million (31.3.2022: HK\$11,126 million). As at 30 September 2022, net current assets amounted to approximately HK\$1,486 million (31.3.2022: HK\$1,489 million), whereas current ratio deriving from the ratio of current assets to current liabilities maintained at 1.19 times (31.3.2022: 1.20 times). After taking into account (a) the net loss of approximately HK\$169 million; (b) the post-tax impact for the decrease in carrying amount of financial assets measured at fair value through other comprehensive income of approximately HK\$58 million recognised in the investment revaluation reserve; and (c) the Renminbi exchange deficit of approximately HK\$58 million arising from translation of foreign operations, equity attributable to owners of the Company decreased by 13% to approximately HK\$1,875 million (31.3.2022: HK\$2,160 million), representing HK\$1.70 (31.3.2022: HK\$1.96) per share as at 30 September 2022.

REVIEW OF OPERATIONS AND BUSINESS DEVELOPMENT

Paul Y. Engineering (48.23% owned with 58.23% voting rights)

During the period, Paul Y. Engineering Group Limited ("**Paul Y. Engineering**") contributed approximately HK\$4,570 million (2021: HK\$4,501 million) and HK\$13 million (2021: HK\$35 million) to the segments revenue and result respectively. Segment result for the six months ended 30 September 2021 included a gain on remeasurement of the Group's 48.23% equity interest in Paul Y. Engineering to provisional fair value of approximately HK\$212 million (2022: Nil) and a loss on release of its exchange deficit of approximately HK\$7 million (2022: Nil).

Paul Y. Engineering is a leading construction and engineering group headquartered in Hong Kong, offering comprehensive and integrated project management and delivery services and facilities management services in Hong Kong, Mainland China, Macau and Southeast Asia. For over 75 years, Paul Y. Engineering has been at the heart of some of the most challenging and impressive construction and engineering projects that have shaped the iconic skylines of Hong Kong and many other cities. Through growth in recent decades, Paul Y. Engineering has developed and become one of Hong Kong's largest contracting businesses.

Management Contracting division remained the core business and the major contributor of Paul Y. Engineering's revenue for this period. Revenue of this division amounted to approximately HK\$4,556 million (2021: HK\$6,400 million) for the six months ended 30 September 2022, dropped by approximately 29%. The decrease in revenue for the period was mainly due to the decrease in the contracts awarded last year and the effect of the fifth wave of COVID-19 on the progress of the projects at the beginning of this financial period. As at 30 September 2022, the value of contracts on hand was approximately HK\$57,722 million (31.3.2022: HK\$52,597 million), while the value of work remaining had stood at approximately HK\$29,551 million (31.3.2022: HK\$26,847 million). During the six months ended 30 September 2022, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK\$5,897 million, representing an increase of approximately 23% as compared to the amount of approximately HK\$4,794 million for the same period last year.

Revenue of the Property Development Management division amounted to approximately HK\$14 million (2021: HK\$2 million) for the six months ended 30 September 2022. As at 30 September 2022, the value of contracts on hand for this division was approximately HK\$663 million (31.3.2022: HK\$369 million), while the value of work remaining was approximately HK\$622 million (31.3.2022: HK\$342 million). During the six months ended 30 September 2022, the Property Development Management division secured new contracts of approximately HK\$294 million (2021: Nil).

Paul Y. Engineering has been pursuing business expansion and actively undertaking large-scale infrastructure projects for the Hong Kong government. Given the awarded contracts have increased, substantial resources are required by Paul Y. Engineering to satisfy the employed capital and working capital requirements prescribed by the Works Branch of the Development Bureau of the Hong Kong government. Under the prevailing market circumstances, refinancing arrangement is uncertain and the financing cost is high amidst the aggressive interest rate cycle, Paul Y. Engineering is inevitably required to raise fund from its shareholders for meeting the general working capital need and debt repayment. In September 2022, Paul Y. Engineering proposed to raise approximately HK\$967 million by way of the rights issue, of which the Group was entitled to subscribe for the right shares in proportion to the Group's equity interest in Paul Y. Engineering in an aggregate subscription amount of approximately HK\$466 million.

Despite the management is optimistic about the future prospect of the engineering and construction sector in Hong Kong, the Group does not share the same philosophy with Paul Y. Engineering's business strategies and market positioning of the aggressive expansion in large-scale but low-profit margin infrastructure projects. The working capital requirement of Paul Y. Engineering has imposed immediate pressure on the Group's cash flow, in particular when the Proposed Disposal I (as defined below) progresses significantly behind the anticipated timeline. As such, the Board subsequently resolved (i) to reassign the 10% Voting Rights (as defined below) in Paul Y. Engineering to the third party who had previously assigned it to the Group in June 2021 and (ii) not to subscribe for the entitled rights shares of Paul Y. Engineering. Upon the completion of Paul Y. Engineering's rights issue on 5 November 2022, the Group's ownership interest in Paul Y. Engineering was diluted from 48.23% to 29.75%. Considering that in case of any future equity fund raising exercise to be undertaken by Paul Y. Engineering, the Group's interest in Paul Y. Engineering will be further diluted if the Group is not supportive of the initiatives for meeting its funding needs and does not devote additional resources to maintain its proportionate interest in Paul Y. Engineering, the Group had reassessed its positioning in the Paul Y. Engineering investment. On 14 November 2022, the Group entered into a conditional agreement for the disposal of the remaining 29.75% equity interest in Paul Y. Engineering to the current controlling shareholder of Paul Y. Engineering at the consideration of HK\$300 million (the "**Proposed Disposal II**"). The disposal of 29.75% equity interest in Paul Y. Engineering is considered to be a good opportunity to optimise the Group's resource allocation for long-term business development and enhance the financial flexibility and capabilities of the Group to support other potential and suitable business opportunities. Up to the date of this announcement, the completion of the Proposed Disposal II is subject to fulfillment of various conditions precedent, including the approval by shareholders of the Company in the special general meeting.

Ports and Logistics

LPG, CNG and LNG Distribution and Logistics (100% owned)

During the period, the liquefied petroleum gas ("LPG") and compressed natural gas ("CNG") distribution and logistics businesses of Minsheng Gas in Wuhan recorded a segment loss of approximately HK\$8 million (2021: profit of HK\$4 million), which was mainly attributable to the increase in procurement cost under the rising international oil and gas price that slashed the gross profit from 30% to 12%. Sales of LPG decreased by 41% to approximately 1,000 tonnes (2021: 1,700 tonnes) as a result of the phase-out of LPG-powered vehicles in Wuhan City and the sales of CNG decreased by 16% to approximately 8.5 million m³ (2021: 10.1 million m³) impacted by the popularity of electric-powered vehicles.

Currently, Minsheng Gas owns and operates the largest LPG storage-tank farm and a river terminal in Hubei Province, and has two LPG and four CNG automotive fueling stations in Wuhan City. The Government of the People's Republic of China (the "PRC") has made a strong commitment to reduce the carbon emission at the 2015 United Nations Climate Change Conference in Paris and has issued policies to speed up the development of clean energy such as liquefied natural gas ("LNG"). 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 residential, 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. On 19 May 2022, the Company had reached an agreement with 湖北能源集團股份有限公司 (Hubei Energy Group Co., Ltd*) (the "Investor", a company established in the PRC with limited liability which is listed on the Shenzhen Stock Exchange (stock code: 000883.SZ) and controlled by a stated-owned enterprise 中國長江三峽集團有限公司 (China Three Gorges Corporation*)), that the Investor conditionally agreed to inject US\$42.67 million (equivalent to approximately HK\$335 million) into Minsheng Gas to acquire 51% enlarged equity interest in Minsheng Gas (the "Proposed Capital Injection"). However, since such Proposed Capital Injection will constitute a deemed disposal of Minsheng Gas, the Listing Division of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") notified the Company that such deemed disposal forms part of a series of disposals of a material part of the Company's existing business after a change in de facto control and should be restricted under Rule 14.06E of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of the Proposed Capital Injection, including the reasons for and benefits of the Proposed Capital Injection, the decision of the Listing Division and the Company's perspective on the Listing Division's decision are disclosed in the Company's announcement dated 1 August 2022.

Despite the termination of the above Proposed Capital Injection, the Group is in the course of renegotiation with the Investor to explore alternative cooperation proposal in respect of LNG project.

Yangkou Port (9.9% owned)

The Group's 9.9% equity interest in 江蘇洋口港投資開發有限公司 (Jiangsu Yangkou Port Development and Investment Co. Ltd.*) (“**Yangkou Port Co**”) contributed dividend income of HK\$1 million (2021: Nil) to the segment result for the period.

Yangkou Port Co is principally engaged in the business of development of port and related infrastructures at Yangkou Port, an offshore type deep-sea harbour along the South East Coast of Jiangsu Province, the PRC. Strategically located near the mouth of the Yangtze River, Yangkou Port is ideally situated to become one of China's largest trans-shipment hubs for dry and liquid bulk cargoes.

Following our several staged divestments from 75% to the current 9.9% interest in prior years, the residue investment in Yangkou Port Co is intended to be held for long-term purpose and is classified as financial assets measured at fair value through other comprehensive income. As at 30 September 2022, the investment in Yangkou Port Co was stated at fair value of approximately HK\$98 million (31.3.2022: HK\$119 million). The unrealised decrease in fair value of approximately HK\$21 million (2021: HK\$27 million) for the period was recognised in other comprehensive expense.

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.

Property

The property business recorded a segment loss of approximately HK\$172 million (2021: HK\$380 million) for the period which was mainly attributable to (a) loss on fair value changes of investment properties of approximately HK\$29 million (2021: HK\$233 million) and (b) write-down of the stock of properties of approximately HK\$113 million (2021: HK\$117 million) for the Group's properties in the PRC.

The Group has 11.42 sq km (31.3.2022: 11.42 sq km) land bank situated at Xiao Yangkou (the “**Land**”), which is under development as a regional tourism site of national standard with hot spring and recreational facilities. As at 30 September 2022, approximately 6.81 sq km (31.3.2022: 6.81 sq km) out of the 11.42 sq km (31.3.2022: 11.42 sq km) land bank had reached the developing stage or the developed and serviced stage. The development status of the 11.42 sq km land bank was summarised as follows:

Area (sq km)	Stage of development	Intended purpose	Classification
0.88	Developed land	Rental/Capital appreciation	Investment properties
2.00	Land under development	Rental/Capital appreciation	Investment properties
2.01	Developed land	Sale	Stock of properties
1.89	Land under development	Sale	Stock of properties
0.03	Developed land	Self-use	Right-of-use assets
4.61	Pending development	Undetermined	Project under development
<u>11.42</u>			

In determining the fair values of the developed land and land under development situated at Xiao Yangkou which are zoned for tourist and resort use, the valuer has consistently adopted market approach with reference to the actual land transaction prices of the emerging tourist and resort use land within the vicinity. As at 30 September 2022, the investment properties of approximately 2.88 sq km were measured at fair value of approximately HK\$364 million (31.3.2022: HK\$437 million) and recorded a loss on revaluation (before tax and non-controlling interest) of approximately HK\$29 million (2021: HK\$176 million) for the period.

Land and properties at Xiao Yangkou classified as stock of properties has suffered from the decline in market value of high-end resort properties in recent years, particularly after the measures in tightening the financing criteria in the property sector to clamp down on the over-concentration of capital in the property market rolled out by the central government in August 2020. Further tightening measures had been introduced by the provincial and local governments to make sure the property control measures of the central government would be closely followed, which posed a prolonged and structural negative impact on the property market. As at 30 September 2022, the net realisable value of certain stock of properties at Xiao Yangkou further declined and recorded a write-down (before tax and non-controlling interest) of approximately HK\$113 million (2021: HK\$68 million) for the period.

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 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. Taking into account the COVID-19 pandemic and the government tightening policy on the property sector which cast uncertainty in the macroeconomic conditions and development of the property market in the PRC, the management are of the view to realise its investments in Xiao Yangkou to avoid the risk of further potential loss of the Land. On 15 September 2021, the Group has entered into a conditional agreement with Gold Spell Limited for the sales of the entire property business at Xiao Yangkou in a cash consideration of RMB700 million (the “**Proposed Disposal I**”). The Proposed Disposal I has been approved by shareholders of the Company in the special general meeting held on 18 January 2022. Up to the date of this announcement, the completion of the Proposed Disposal I is still subject to fulfillment of various conditions precedent. The parties are in ongoing negotiation on modification of certain items on the Proposed Disposal I, which is in an advanced stage, and agreed that the long stop date for fulfillment of the conditions precedent shall be extended to 9 December 2022. Further details of the Proposed Disposal I were disclosed in the Company’s circular dated 31 December 2021 and announcements dated 2 November 2021, 25 November 2021, 24 December 2021, 18 January 2022, 14 July 2022, 3 August 2022, 23 August 2022, 2 September 2022, 26 September 2022, 26 October 2022 and 8 November 2022.

In the Hangzhou Hi-Tech Industry Development Zone of Bingjiang, Hangzhou City, the Group held a building known as “Pioneer Technology Building”, which has a gross floor area of approximately 20,000 sq m. The building generated rental income of approximately HK\$7 million (2021: HK\$6 million) during the period. During the six months ended 30 September 2021, the building recorded a loss on fair value change of approximately HK\$30 million (2022: Nil). In view of the rising risk and uncertainty in the PRC property market, the aging of the premise, and significant maintenance funding injection is needed in the near future that will further erode the investment returns of the premise, the Board decided to realise the investment in the premise in return for immediate cash inflow. During the period, despite the agreement entered on 10 May 2022 for the disposal of Pioneer Technology Building was eventually terminated as disclosed in the Company’s announcement dated 16 August 2022, the Group entered into another agreement on 9 September 2022 with a new purchaser for the disposal of the entire equity interest of the investment holding companies of Pioneer Technology Building at a consideration of RMB65 million (equivalent to approximately HK\$72 million). The disposal was completed subsequent to the reporting period on 31 October 2022.

On 16 September 2022, the Group subscribed for 25% equity interest in Quality World Investments Limited (“**Quality World**”) at a consideration of HK\$44.5 million. Quality World, through its wholly-owned subsidiary, principally engages in property investment and holds various office premises in Hong Kong for rental. Quality World has yet to contribute any profit to the property segment during the period.

Upon the disposal of various property projects in the PRC, the Group is currently repositioning its focus on the property segment in Hong Kong and overseas taking advantage of the downturn of the Hong Kong and overseas property market to capture the potential market upside in future. The Group will continue to look for investment opportunities under its property segment with a view to generating a stable income stream and potential investment return to the Group.

Securities

The securities segment recorded a segment profit of approximately HK\$1 million (2021: loss of HK\$1,158 million) for the period, which was mainly attributable to the dividend from the investments in equity instruments not held for trading of approximately HK\$1 million (2021: net fair value loss of investments in debt and equity instruments held for trading of approximately HK\$1,168 million).

As at 30 September 2022, the Group’s investments in listed equity instruments not held for trading amounted to approximately HK\$85 million (31.3.2022: HK\$129 million). The decrease in fair value of approximately HK\$36 million (2021: HK\$26 million) for the period was recognised in other comprehensive expense.

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 financial services business recorded a segment profit of approximately HK\$22 million (2021: loss of HK\$6 million) for the period, which was mainly attributable to the share of profit of its investee associates of about HK\$25 million (2021: loss of HK\$7 million) during the period.

In view of the increasing credit risk in the market recently, the Group adopted a more cautious approach in managing its direct loan financing business. No new loan was granted after the loan receivable of HK\$20 million brought forward from last year was fully settled during the period.

The Group held one-third of equity interest in Maxlord Enterprises Limited (“**Maxlord**”), a licensed money lender carrying out money lending business in Hong Kong, which is an indirect 66.67% owned subsidiary of Planetree International Development Limited (stock code: 0613.HK). During the period, the Group shared profit of approximately HK\$7 million (2021: HK\$4 million) on its investment in Maxlord.

The Group participated in the overseas property asset-based financing business through a 40% owned associate, Golden Thread Investments Limited, which contributed a share of profit of HK\$18 million (2021: Nil) to the Group during the period.

The Group will continue to explore business opportunities in the financial service 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 contribute a stable and favorable income stream to the Group.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments in any investee company with a value of above 5% of the Group's total assets as at 30 September 2022.

MATERIAL ACQUISITION AND DISPOSAL

On 9 September 2022, the Group entered into an agreement with 南通興嘉橙企業管理有限公司 (Nantong Xingjiacheng Enterprise Management Co.*), a company established in the PRC with limited liability, for the disposal of the entire equity interest of 浙江美聯置業有限公司 (Zhejiang Midland Property Co. Ltd*), an indirect wholly-owned subsidiary of the Company which owns Pioneer Technology Building, at a consideration of RMB65 million (equivalent to approximately HK\$72 million). The disposal was completed subsequent to the reporting period on 31 October 2022.

On 16 September 2022, the Group subscribed for 25% equity interest in Quality World Investments Limited at a consideration of HK\$44.5 million. Quality World is principally engaged in property investment and holds various office premises in Hong Kong for rental.

Apart from the above, the Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the period.

EVENTS AFTER THE REPORTING PERIOD

On 7 October 2022, the Group entered into a conditional agreement to subscribe for approximately 24.64% equity interest in Hope Capital Limited ("**Hope Capital**") at a consideration of HK\$75 million. Hope Capital's direct wholly-owned subsidiary, Hope Securities Limited, is licensed to carry out regulated activities in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) under the Securities and Futures Ordinance in Hong Kong and is principally engaged in the provision of one-stop integrated financial services including securities brokerage and margin financing services. Further details of the subscription were disclosed in the Company's announcement dated 7 October 2022. The subscription was completed on 10 October 2022.

On 27 October 2022, the Group entered into a conditional agreement to acquire the entire equity interest in and the shareholder's loan of Vogalsan Limited ("**Vogalsan**") at the total consideration of HK\$65 million. Vogalsan is principally engaged in property investment through its direct wholly-owned subsidiary which holds a floor of office premises and three car parking spaces of a commercial building in Chai Wan, Hong Kong. Further details of the acquisition were disclosed in the Company's announcement dated 27 October 2022. The acquisition was completed on 18 November 2022.

On 4 November 2022, the Group irrevocably and unconditionally reassigned the voting right of a block of approximately 10% shareholding in Paul Y. Engineering (the “**Voting Rights**”) to the independent third party who had irrevocably and unconditionally assigned such Voting Rights to the Group on 1 June 2021 at nil consideration (the “**Reassignment**”). Upon the Reassignment, the Group’s voting rights in Paul Y. Engineering decreases from approximately 58.23% to approximately 48.23% and the Group no longer retains majority control of the voting rights at any general meetings of Paul Y. Engineering. Accordingly, Paul Y. Engineering has become an associate of the Company and ceased to be recognised as a subsidiary of the Company, and the financial results of Paul Y. Engineering will no longer be consolidated into the financial statements of the Group (the “**Deemed Disposal**”). On 5 November 2022, Paul Y. Engineering completed its rights issue and allotted 1,516,147,126 rights shares at a subscription price of HK\$0.33 each to its qualified shareholders, resulting in a dilution of the Company’s equity interest in Paul Y. Engineering from approximately 48.23% to approximately 29.75% (the “**Dilution**”). Further details of the Deemed Disposal and Dilution were disclosed in the Company’s announcement dated 6 November 2022.

On 14 November 2022, the Group entered into a conditional agreement for the disposal of the remaining 29.75% equity interest in Paul Y. Engineering to the current controlling shareholder of Paul Y. Engineering at the consideration of HK\$300 million (the “**PYE Agreement**”). The disposal is subject to fulfillment of various conditions precedent and has not been completed up to the date of this announcement. Further details of the memorandum of understanding entered into by the Group and the PYE Agreement in respect of the disposal were disclosed in the Company’s announcements dated 6 November 2022 and 14 November 2022.

Apart from the above, there were no major subsequent events occurred since the end of the reporting period and up to the date of this announcement.

OUTLOOK

Taking into account the COVID-19 pandemic and the tightened governmental controls to PRC property market which continue to cast uncertainty in the macroeconomic conditions and development of the property market in the PRC, the Board is of the view to realise its investments in the property market in the PRC to avoid the risk of further potential loss and provide the Group with flexibility to seize suitable business and investment opportunities to optimise the operational efficiency and investment return to the Group.

The Board undertakes strategic review of the Group’s assets from time to time with a view to maximising returns to the shareholders of the Company. Concurrently, the Group will explore opportunities to diversify and broaden its business and investment portfolio by investing in business with optimistic prospect.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2022, the Group had total assets of HK\$11,010 million (31.3.2022: HK\$11,126 million) which were financed by shareholders' funds and credit facilities. A variety of credit facilities were maintained to meet its working capital requirements and committed capital expenditure, which bore interest at market rates and had contracted terms of repayment ranging from on demand to nine years. The Group mainly generated revenue and incurred costs in Hong Kong dollar and Renminbi. During the period, no financial instruments had been used for hedging purpose and no foreign currency net investments are hedged by currency borrowings or other hedging instruments. The Group adopts a prudent funding and treasury policy and manages the fluctuation exposures of exchange rate and interest rate on specific transactions.

As at 30 September 2022, the Group's bank and other borrowings amounted to approximately HK\$1,757 million (31.3.2022: HK\$1,661 million) with approximately HK\$1,517 million (31.3.2022: HK\$1,439 million) repayable on demand or within one year and approximately HK\$240 million (31.3.2022: HK\$222 million) repayable after one year. Borrowings denominated in Hong Kong dollar of approximately HK\$1,294 million (31.3.2022: HK\$1,082 million) bore interest at floating rate and approximately HK\$105 million (31.3.2022: HK\$200 million) bore interest at fixed rate. Borrowings denominated in Renminbi of approximately HK\$358 million (31.3.2022: HK\$379 million) bore interest at fixed rate. The Group's gearing ratio was 0.94 (31.3.2022: 0.77), which was calculated based on the total borrowings of approximately HK\$1,757 million (31.3.2022: HK\$1,661 million) and the Group's shareholders' funds of approximately HK\$1,875 million (31.3.2022: HK\$2,160 million).

Cash, bank balances and deposits of the Group as at 30 September 2022 amounted to approximately HK\$780 million (31.3.2022: HK\$989 million), of which approximately HK\$641 million (31.3.2022: HK\$902 million) was denominated in Hong Kong dollar, approximately HK\$130 million (31.3.2022: HK\$76 million) was denominated in Renminbi and approximately HK\$9 million (31.3.2022: HK\$11 million) was denominated in other currencies mainly in United States Dollar and Macanese Pataca. The balance of approximately HK\$97 million (31.3.2022: HK\$45 million) had been pledged to secure general credit facilities granted to the Group.

CAPITAL STRUCTURE

During the period, the Group has not conducted any equity fund raising activities. As at 30 September 2022, the total number of issued shares of the Company was 1,103,916,114 shares with a par value of HK\$0.1 each.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The Group regularly reviews the balances of assets and liabilities and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign currency risk. During the period, no financial instruments had been used for hedging purpose and no foreign currency net investments are hedged by currency borrowings or other hedging instruments.

CONTINGENT LIABILITY

The Group had contingent liabilities in respect of indemnities of approximately HK\$84 million (31.3.2022: HK\$61 million) issued to financial institutions for bonds on construction contracts of joint operations as at 30 September 2022.

PLEDGE OF ASSETS

As at 30 September 2022, the Group pledged certain property interests, property, plant and equipment, bank balances and cash of the Group with an aggregate value of approximately HK\$323 million (31.3.2022: HK\$389 million) and charged over the Group's benefits from certain construction contracts to secure general credit facilities granted to the Group.

COMMITMENTS

As at 30 September 2022, the Group had expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of certain property, plant and equipment and properties interests in a total amount of approximately HK\$13 million (31.3.2022: HK\$15 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022, the Group employed a total of 2,588 (31.3.2022: 2,647) full time employees, excluding contracted casual labour in Macau. Remuneration packages consisted of salary as well as performance-based bonus.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2022, the Company has complied with the code provisions in Part 2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code for dealing in the securities of the Company by the Directors and the relevant employees of the Group. According to specific enquiries made by the Company, all the Directors and relevant employees of the Group have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2022.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirement of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal control, the audit process and risk management. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors of the Company, namely Mr William Giles, Mr Yu Chung Leung and Mr Lam John Cheung-wah.

The unaudited interim results of the Group for the six months ended 30 September 2022 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.blueriverholdings.com.hk under "Announcements" in the "Investor Relations" section and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Listed Company Information". The 2022/2023 Interim Report will be despatched to shareholders of the Company and posted on the aforesaid websites in December 2022.

* *For identification purpose only*

By Order of the Board

Blue River Holdings Limited

Benny KWONG

Chairman

Hong Kong, 29 November 2022

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

Executive Directors:

Benny KWONG (*Chairman*)

AU Wai June

Marc TSCHIRNER

SAM Hing Cheong

Independent Non-Executive Directors:

William GILES

YU Chung Leung

LAM John Cheung-wah