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Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

- (1) PROPOSED VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF 51.76% OF
THE ISSUED SHARES OF PYE;
(2) PROPOSED VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF SUBSIDIARIES;
(3) DECISION OF THE LISTING DIVISION;
(4) REQUEST FOR REVIEW BY THE LISTING COMMITTEE;
AND
(5) RESUMPTION OF TRADING**

THE ACQUISITION AND THE DISPOSAL

The Board is pleased to announce that, on 23 July 2021, the Company and Mr. Chan entered into the Term Sheet, which outlines the principal terms in relation to the Proposed Transactions. Pursuant to the Term Sheet, both parties shall use all reasonable endeavours to enter into a formal sale and purchase agreement within 7 days from the date of the Term Sheet.

On 29 July 2021, the parties entered into the Agreement and subsequently they have signed the Supplemental Agreement on 16 September 2021. Pursuant to the Amended Agreement, the Company shall acquire the PYE Shares beneficially owned by Mr. Chan at the Acquisition Consideration of HK\$675 million which shall be settled by the Company in kind by assignment and transfer of the entire issued share(s) of the Disposal Companies and the Sale Loans to Mr. Chan (or his designated entities). The Acquisition and the Disposal are inter-conditional and shall be completed simultaneously.

As at the date of this announcement, the Group indirectly holds approximately 48.23% equity interest in PYE. By virtue of an irrevocable assignment executed by Elemet in favour of the Company dated 1 June 2021, Elemet has assigned the voting rights in respect of its approximately 10% shareholding in PYE to the Company so that the Company is entitled to exercise an aggregate of approximately 58.23% voting rights in PYE. Since then, PYE has become an indirect non-wholly-owned subsidiary of the Company with the financial results of the PYE Group to be consolidated into the financial statements of the Group. Upon Completion, the Company will indirectly hold approximately 99.98% of the issued shares of PYE. Although PYE will then remain as an indirect non-wholly-owned subsidiary of the Company, the financial results of the PYE Group will continue to be consolidated into the financial statements of the Group with much less non-controlling interests.

Upon Completion, each of the Disposal Companies will cease to be a subsidiary of the Company and the financial results of the Disposal Companies will no longer be consolidated into the financial statements of the Group.

In view of the recent high volatility of the stock market, Mr. Chan has expressed concern about the significant fluctuation in the fair value of the investment portfolio held by the Disposal Companies and has proposed an alternative way to settle the Acquisition Consideration. The Company and Mr. Chan are currently in negotiation in respect of the amendments on the relevant settlement terms (the “**Possible Amendments**”), which have not been finalized as at the date of this announcement. The Possible Amendments, if materialized, will be a material change to the terms of the Proposed Transactions and the Company will make a further announcement pursuant to the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratio(s) of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, Mr. Chan, holding in aggregate approximately 51.76% equity interest of PYE, is a substantial shareholder of PYE. As a result, Mr. Chan is a connected person of the Company at the subsidiary level, and the Proposed Transactions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) Mr. Chan is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Proposed Transactions; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Proposed Transactions are fair and reasonable and on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Proposed Transactions are exempt from the independent financial advice requirement under Chapter 14A of the Listing Rules.

DECISION OF THE LISTING DIVISION

The Listing Division informed the Company that based on the information provided, it has made a ruling in its decision letter dated 24 September 2021 that the Proposed Transactions, together with the Assignment and a separate transaction of the Company (i.e. the Disposal II), form part of a series of transactions and arrangement which constituted an attempt to achieve a listing of PYE and a means to circumvent the new listing requirements under Chapter 8 of the Listing Rules. The Listing Division is of the opinion that these transactions and arrangements are one transaction and thus constitutes a reverse takeover under Rule 14.06B of the Listing Rules (the “**Decision**”). Details of the Disposal II are disclosed in the Company’s separate announcement in relation to a very substantial disposal and connected transaction dated 2 November 2021 and the factors considered by the Listing Division in arriving at the Decision are set out in the Company’s inside information announcement dated 4 November 2021.

REQUEST TO REVIEW THE DECISION OF THE LISTING DIVISION

On 4 October 2021, the Company submitted a written request for the Decision to be referred to the Listing Committee of the Stock Exchange for review (the “**Review**”) pursuant to Rule 2B.06(1) of the Listing Rules. The review hearing of the Decision by the Listing Committee will be held on 23 November 2021.

The Company will publish further announcements to keep the Shareholders informed of the outcome of the Review and the Company’s decision as to whether the Proposed Transactions will or will not be proceeded.

GENERAL

Subject to the outcome of the Review, the SGM will be convened for the purpose of considering and, if thought fit, approving the Amended Agreement and the transactions contemplated thereunder.

Mr. Au Wai June, an executive Director, was appointed as a director of Elemet on 2 June 2021 to facilitate the exercise of the approximately 10% voting rights in PYE assigned to the Company from Elemet. He has abstained from voting on the resolutions of the Board approving the Amended Agreement and the transactions contemplated thereunder.

As no Shareholders or any of their respective associates have any material interest in the Amended Agreement, no Shareholders or any of their respective associates are required to abstain from voting at the SGM in respect of the ordinary resolutions to approve the Amended Agreement and the transactions contemplated thereunder.

The Company will despatch a circular in accordance with the Listing Rules, which will contain, among other things, (i) further information relating to the Acquisition and the Disposal; (ii) financial information relating to the Group and the Disposal Companies; (iii) an accountant's report in respect of the PYE Group; (iv) a management discussion and analysis in respect of the PYE Group; (v) unaudited pro forma financial information of the Remaining Group and the Enlarged Group; (vi) the PYE Valuation Report; (vii) letter and report on the profit forecast underlying the valuation on the PYE Group as required under Rule 14.62 of the Listing Rules; (viii) other information as required to be disclosed under the Listing Rules; and (ix) notice of the SGM. It is expected that a circular will be despatched to the Shareholders on or before 31 December 2021 so as to allow the Company to have sufficient time to prepare the information to be included in a circular.

WARNING

Shareholders and potential investors should note that Completion is subject to the fulfilment of the conditions precedent set out in the Amended Agreement and therefore may or may not occur. Furthermore, subject to the outcome of the Review, the Proposed Transactions may or may not proceed to completion and, the Possible Amendments, if materialized, will be a material change to the terms of the Proposed Transactions. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 26 July 2021 in relation to trading halt of the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 26 July 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 November 2021.

The Board is pleased to announce that, on 23 July 2021, the Company and Mr. Chan entered into the Term Sheet, which outlines the principal terms in relation to the Proposed Transactions. Pursuant to the Term Sheet, both parties shall use all reasonable endeavours to enter into a formal sale and purchase agreement within 7 days from the date of the Term Sheet.

On 29 July 2021, the parties entered into the Agreement and subsequently they have signed the Supplemental Agreement on 16 September 2021. Pursuant to the Amended Agreement, the Company shall acquire the PYE Shares beneficially owned by Mr. Chan at the Acquisition Consideration of HK\$675 million which shall be settled by the Company in kind by assignment and transfer of the entire issued share(s) of the Disposal Companies and the Sale Loans to Mr. Chan (or his designated entities). The Acquisition and the Disposal are inter-conditional and shall be completed simultaneously.

In view of the recent high volatility of the stock market, Mr. Chan has expressed concern about the significant fluctuation in the fair value of the investment portfolio held by the Disposal Companies and has proposed an alternative way to settle the Acquisition Consideration. The Company and Mr. Chan are currently in negotiation in respect of the amendments on the relevant settlement terms (the “**Possible Amendments**”), which have not been finalized as at the date of this announcement. The Possible Amendments, if materialized, will be a material change to the terms of the Proposed Transactions and the Company will make a further announcement pursuant to the Listing Rules.

THE AMENDED AGREEMENT

The principal terms of the Amended Agreement are set forth below:

Date of the Agreement : 29 July 2021

Date of the Supplemental Agreement	:	16 September 2021
Parties	:	(a) The Company; and (b) Mr. Chan (collectively, the “ Parties ”).
Assets to be acquired	:	The Company shall acquire the PYE Shares, representing a total of approximately 51.76% of the issued shares of PYE.
Assets for settling the Acquisition Consideration	:	The Company shall settle the Acquisition Consideration by way of disposing of the entire issued share capital(s) of the Disposal Companies and the Sale Loans.
Consideration	:	Both of the Acquisition Consideration and the Disposal Consideration amount to HK\$675 million, which shall be settled by way of set-off against each other in full.
Basis of determination of the consideration	:	The Acquisition Consideration was determined after arm’s length negotiations between the Parties on normal commercial terms principally with reference to, among others, (i) the valuation of 100% equity interest in the PYE Group as at 15 September 2021 with an appraised value of HK\$1,500 million (the “ Valuation ”), as prepared by the Independent Valuer (the details of the valuation of the PYE Group will be set out in the PYE Valuation Report, which will form part of the circular to be despatched to the Shareholders); (ii) the historical financial performance, market reputation and brand recognition of the PYE Group; (iii) the business prospects of the PYE Group; and (iv) the reasons for and benefits of the Acquisition as described under the paragraph headed “Reasons for and Benefits of the Proposed Transactions” in this announcement below.

Based on the Valuation, the appraisal value of 100% equity interest in PYE Group was HK\$1,500 million as at 15 September 2021 and approximately 51.76% corresponding appraisal value was approximately HK\$776.4 million, which the Acquisition Consideration represents a discount of approximately 13.06% to such value.

The Disposal Consideration was determined after arm's length negotiations between the Parties on normal commercial terms principally with reference to, among others, (i) the market value of the investment portfolio held by the Disposal Companies as at 16 September 2021; and (ii) the carrying value of the Convertible Bonds as at 16 September 2021.

The aggregate adjusted net asset value of the Disposal Companies was HK\$675 million (having adjusted by excluding the aggregate shareholder's loan of approximately HK\$1,503.61 million due to the Group by the Disposal Companies as the aforesaid aggregate shareholder's loan will be assigned to Mr. Chan upon Completion) (the "**Disposal Companies Value**"). The Disposal Consideration is almost equivalent to the Disposal Companies Value.

Based on the aforesaid, the Directors (including the independent non-executive Directors) consider that the Acquisition Consideration and the Disposal Consideration are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

- Conditions precedent : Completion is conditional upon fulfilment of the following conditions:
- (a) Mr. Chan having conducted and completed due diligence review on all business, assets and liabilities, legal and financial matters and all such other matters as deemed necessary by Mr. Chan, in relation to the Disposal Companies, and Mr. Chan being reasonably satisfied with the results of such due diligence review;

- (b) the SGM having been duly convened at which resolutions shall have been passed by the Shareholders, by way of a poll to approve the Amended Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (c) if applicable, the obtaining of all consents from any relevant government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Amended Agreement and any of the transactions contemplated thereunder;
- (d) the Company being satisfied that on or before Completion the warranties given by Mr. Chan remain true and accurate in all material respects and are not misleading or in breach in any material respect;
- (e) Mr. Chan being satisfied that on or before Completion the warranties given by the Company remain true and accurate in all material respects and are not misleading or in breach in any material respect; and
- (f) the Company obtaining a valuation report reasonably satisfactory to it which values the market value of the PYE Group as at 15 September 2021 at no less than HK\$1,500,000,000.

Conditions (d) and (f) above may be waived by the Company at its sole discretion in whole or in part. Conditions (a) and (e) above may be waived by Mr. Chan at his sole discretion in whole or in part.

If the conditions set out above have not been waived (where applicable) or fulfilled on or before the Long Stop Date for whatever reason, the Amended Agreement shall cease and determine whereupon neither party shall have any obligations and liability towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion : Completion shall take place on the fifth Business Day after all the conditions precedent of the Amended Agreement have been fulfilled (or waived as the case may be) or such date as the Parties may agree in writing.

The Acquisition and the Disposal are inter-conditional and shall be completed simultaneously.

Upon Completion, the Company will indirectly hold approximately 99.98% of the issued shares of PYE. Although PYE will then remain as an indirect non-wholly-owned subsidiary of the Company, the financial results of the PYE Group will continue to be consolidated into the financial statements of the Group with much less non-controlling interests.

Upon Completion, each of the Disposal Companies will cease to be a subsidiary of the Company and the financial results of the Disposal Companies will no longer be consolidated into the financial statements of the Group.

The material terms of the Proposed Transactions amended by the Supplemental Agreement are set out as follows:

- (i) the Acquisition Consideration was reduced from HK\$1,150,000,000 to HK\$675,000,000;
- (ii) The condition precedent (f) under the Agreement was the Company obtaining a valuation report on the market value of the PYE Group as at 1 June 2021 at no less than HK\$2,300,000,000. Under the Supplemental Agreement, the parties agreed to change this condition precedent to the Company obtaining a valuation report on the market value of the PYE Group as at 15 September 2021 at no less than HK\$1,500,000,000; and
- (iii) two wholly-owned subsidiaries of the Company (holding certain properties in the PRC) were initially included in the pool of the Disposal Companies but were replaced by Nation Cheer (Marshall).

INFORMATION OF THE PYE GROUP

General information

PYE is a limited liability company incorporated in the BVI and is an investment holding company. Immediately prior to Completion, PYE is held as to approximately 48.226% by Dragon Mission, approximately 41.757% by BlueSail, approximately 10.000% by Elemet and approximately 0.017% by two individuals.

Reference is made to the announcement of the Company dated 1 June 2021. By virtue of an irrevocable assignment executed by Elemet in favour of the Company dated 1 June 2021, Elemet assigned the voting rights in respect of its approximately 10% shareholding in PYE to the Company and, as a result, the Company is entitled to exercise an aggregate of approximately 58.23% voting rights in PYE. Since then, PYE has become an indirect non-wholly-owned subsidiary of the Company with the financial results of the PYE Group to be consolidated into the financial statements of the Group.

The PYE Group is dedicated to providing full-fledged engineering and property services, with operations in Hong Kong, Mainland China, Macau, Singapore and Malaysia. For over 70 years, the PYE Group has been at the heart of some of the most challenging and impactful construction projects that have shaped the iconic skylines of Hong Kong and many other cities. Projects of the PYE Group include commercial and residential buildings such as Cheung Kong Centre and HSBC Centre, institutional facilities such as The Hong Kong Polytechnic University (Phase 3) and The Hong Kong Jockey Club Building for Interdisciplinary Research, highways, airport runway system projects, railways, tunnels, port works, water and sewage treatment facilities, etc. The table below sets out selected significant projects completed by the PYE Group in the past.

Completion Date	Projects	Types
April 2020	<p>Sai Kung Temporary Quarantine Facilities — The project comprised the construction of 99 independent units as quarantine facilities, as well as its infrastructure, site formation and electrical and mechanical engineering works. The three blocks of three-storey facilities were successfully completed within 84 days.</p>	Community
December 2018	<p>The Mills — The project involved demolition, alteration, addition and restoration of three former cotton mills, Mill 4, 5 and 6, and included installation of props, demolition of slabs and beams, structural strengthening and alteration.</p>	Commercial

Completion Date	Projects	Types
August 2015	<p>Studio City — Macau’s new Hollywood-themed resort, is one of the most diversified entertainment complexes in the world. The project comprised lower ground level, four podium levels, and two 37 to 41-storey hotel towers providing about 1,600 hotel rooms. With a site of 71,000 square metres building area on plan and gross floor area of 465,700 square metres, it is the largest project the PYE Group have ever undertaken in Macau.</p>	Hotel
May 2011	<p>The Hong Kong Jockey Club Building for Interdisciplinary Research — The institutional development project comprised construction of a nine-storey laboratory building, with external stairs and a cantilevered walkway.</p>	Institutional
April 2011	<p>Improvement Works for Hong Kong International Airport — Project scope included structural engineering, architectural, electrical and mechanical, airport system, and all associated testing and commissioning works, as well as the relocation of furniture and equipment of affected government accommodation.</p>	Community
January 2003	<p>Cyberport — The project involved development of a complex incorporating state-of-the-art information infrastructure including IT and telecommunication facilities. The development covered a gross floor area of 120,382 square metres.</p>	Institutional
October 1996	<p>North Lantau Expressway — The project comprised construction of a 6.5-kilometre section of dual three-lane expressway, and a two-lane service road together with formation works for the double-track Airport Roadway providing access to the Hong Kong International Airport.</p>	Community

As at 31 March 2021, the value of contracts on hand of the PYE Group was approximately HK\$50,279 million, while the value of remaining work amounted to approximately HK\$29,094 million.

The PYE Group has achieved outstanding industry recognition in quality, safety and environmental aspects and has been awarded a number of industry accolades. For instance, the project of The Hong Kong Jockey Club University of Chicago Academic Complex | The University of Chicago Francis and Rose Yuen Campus in Hong Kong, and The Mills undertaken by the PYE Group are awarded both the “Medal of the Year of Hong Kong” and “Special Architectural Award — Heritage & Adaptive Re-use” at the HKIA Annual Awards 2018/19.

Financial information

The following consolidated financial information of the PYE Group for the two financial years ended 31 March 2020 and 2021:

	For the year ended 31 March	
	2021	2020
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	12,170,067	10,982,285
Net profit/(loss) before taxation	57,643	(111,642)
Net profit/(loss) after taxation	30,731	(110,923)

According to the annual report of the PYE Group for the year ended 31 March 2021, the audited consolidated net asset value of the PYE Group as at 31 March 2021 was approximately HK\$710.2 million.

VALUATION OF THE PYE GROUP

As the Independent Valuer has adopted the discounted cash flows method under the income approach, the valuation of the PYE Group is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The valuation of 100% equity interest in the PYE Group at HK\$1,500 million as at 15 September 2021 was performed based on the following principal assumptions:

- (1) There will be no major changes in the existing political, legal, fiscal and economic conditions in which the PYE Group carry on its business;
- (2) There will be no major changes in the current taxation law in the countries where the PYE Group operate, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

- (3) There will be no material changes in the industry in which the PYE Group involve that would materially affect the revenues, profits, cash flows attributable to the PYE Group;
- (4) The PYE Group as well as their partners having obtained the necessary licenses and approvals to provide their service;
- (5) Exchange rates and interest rates will not differ materially from those presently prevailing;
- (6) The availability of finance will not be a constraint on the forecasted growth of operations of the PYE Group;
- (7) The PYE Group will successfully maintain their competitiveness and market share through optimising the utilization of their resources and expanding their marketing network;
- (8) The PYE Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;
- (9) The PYE Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase their income;
- (10) The PYE Group will retain and have competent management, key personnel, and technical staff to support their ongoing operations;
- (11) Industry trends and market conditions for related industries will not deviate materially from economic forecasts; and
- (12) The financial projections provided by the management of the PYE Group have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration.

The valuation of the PYE Group abovementioned contains a profit forecast under Rule 14.61 of the Listing Rules and Rule 14.62 of the Listing Rules is applicable.

The Board has reviewed the key assumptions upon which the profit forecast was based and is of the view that the profit forecast was made after due and careful enquiry.

Crowe (HK) CPA Limited, the auditor of the Company, has been engaged by the Company to report on the calculations of the discounted future cash flows upon which the valuation prepared by the Independent Valuer was based.

A letter from the Board and a report from Crowe (HK) CPA Limited are included in the appendices to this announcement for the purposes of Rules 14.60A and 14.62 of the Listing Rules.

QUALIFICATIONS AND CONSENT OF EXPERTS

The qualifications of the experts who have given opinions and advice in this announcement are as follows:

Name	Qualification
Crowe (HK) CPA Limited	Certified Public Accountants
Java Consulting Limited	Independent professional valuer

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of Crowe (HK) CPA Limited and Java Consulting Limited is a third party independent of the Group and is not a connected person of the Group.

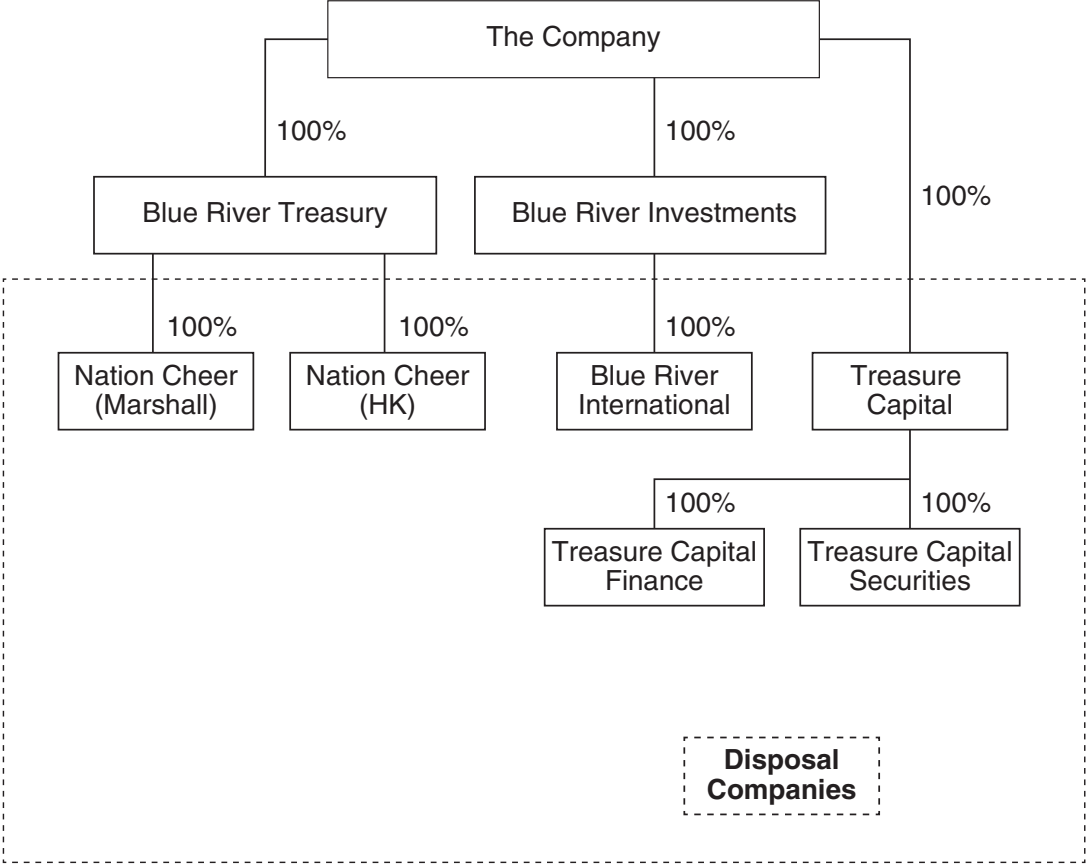
Each of Crowe (HK) CPA Limited and Java Consulting Limited had given and had not withdrawn its written consent to the issue of this announcement with the inclusion of its opinion and advice and the reference to its name in the form and context in which they respectively appear.

As at the date of this announcement, none of Crowe (HK) CPA Limited and Java Consulting Limited had any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the date of this announcement, none of Crowe (HK) CPA Limited and Java Consulting Limited had any direct or indirect interest in any assets which have been, since 31 March 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

INFORMATION OF THE DISPOSAL COMPANIES

The following diagram illustrates the shareholding structures of the Disposal Companies prior to Completion:



Nation Cheer (HK)

Nation Cheer (HK) is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. Nation Cheer (HK) is principally engaged in securities trading. The investment portfolio held by Nation Cheer (HK) amounted to approximately HK\$92 million as at 16 September 2021 and comprises Hong Kong listed securities in different industry sectors, such as financial services, tourism and property development, etc..

The table below sets out the financial information of Nation Cheer (HK) for the financial years ended 31 March 2020 and 2021.

	For the year ended 31 March	
	2021	2020
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	65,523	10,306
Net loss after taxation	65,523	10,306

According to the management accounts of Nation Cheer (HK), as at 16 September 2021 (i) the unaudited net liabilities of Nation Cheer (HK) was approximately HK\$300.23 million and (ii) the unaudited adjusted net asset value of Nation Cheer (HK) was approximately HK\$119.52 million after excluding the shareholder's loan of approximately HK\$419.75 million due to the Group by Nation Cheer (HK).

Nation Cheer (Marshall)

Nation Cheer (Marshall) is a company incorporated in the Marshall Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company. Nation Cheer (Marshall) is principally engaged in securities trading. The investment portfolio held by Nation Cheer (Marshall) amounted to approximately HK\$109.32 million as at 16 September 2021 and comprises Hong Kong listed securities in different industry sectors, such as financial services, education and property development, etc..

As Nation Cheer (Marshall) is newly incorporated on 31 March 2021, no financial information for each of the years ended 31 March 2020 and 2021 on Nation Cheer (Marshall) is presented in this announcement.

According to the management accounts of Nation Cheer (Marshall), as at 16 September 2021, (i) the unaudited net liabilities of Nation Cheer (Marshall) was approximately HK\$22.13 million and (ii) the unaudited adjusted net asset value

of Nation Cheer (Marshall) was approximately HK\$149.32 million after excluding the shareholder's loan of approximately HK\$171.45 million due to the Group by Nation Cheer (Marshall).

Blue River International

Blue River International is a non-resident domestic company incorporated in the Marshall Islands with limited liability and an indirect wholly-owned subsidiary of the Company. Blue River International is principally engaged in securities trading.

The sole asset of Blue River International is the Convertible Bonds in the principal amount of HK\$100 million at the rate of 5.5% per annum issued by Imagi Brokerage Limited, which is an indirect non-wholly-owned subsidiary of Imagi International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0585.HK). The Convertible Bonds are convertible into up to 55,555,555 conversion shares at the conversion price of HK\$1.80 per conversion share, representing approximately 9.09% of the issued share capital of Imagi Brokerage Limited as enlarged by the issuance of the conversion shares as at the date of this announcement. The Convertible Bonds will be matured in April 2022. As at 16 September 2021, the interest receivables of the Convertible Bonds amounted to approximately HK\$0.98 million.

The Company subscribed for the Convertible Bonds at a subscription price of HK\$100 million on 13 April 2021.

The table below sets out the financial information of Blue River International for the period from 4 March 2021 (date of incorporation) to 31 March 2021.

**For the period from
4 March 2021
(date of incorporation)
to 31 March 2021
(unaudited)
HK\$'000**

Net loss before taxation	12
Net loss after taxation	12

According to the management accounts of Blue River International, as at 16 September 2021, (i) the unaudited net asset value of Blue River International was approximately HK\$2.23 million and (ii) the unaudited adjusted net asset value of Blue River International was approximately HK\$100.98 million after excluding the shareholder's loan of approximately HK\$98.75 million due to the Group by Blue River International.

Treasure Capital Group

Treasure Capital is a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Company. Treasure Capital is principally engaged in investment holding.

Treasure Capital Finance is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. Treasure Capital Finance is a licensed money lender holding a valid money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending. Other than money lending, Treasure Capital Finance is also engaged in securities trading. The investment portfolio held by Treasure Capital Finance amounted to approximately HK\$257.92 million as at 16 September 2021 and comprises debt investments and Hong Kong listed securities in different industry sectors, such as financial services, properties and construction, healthcare, etc..

Treasure Capital Securities is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. Treasure Capital Securities is dormant.

Treasure Capital, Treasure Capital Finance and Treasure Capital Securities comprise the Treasure Capital Group.

The table below sets out the financial information of the Treasure Capital Group for the financial years ended 31 March 2020 and 2021.

	For the year ended 31 March	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	940,581	(306,192)
Net profit/(loss) after taxation	837,696	(306,177)

According to the management accounts of the Treasure Capital Group, as at 16 September 2021 (i) the unaudited net liabilities of the Treasure Capital Group was approximately HK\$508.61 million and (ii) the unaudited adjusted net asset value of the Treasure Capital Group was approximately HK\$305.05 million after excluding the shareholder's loan of approximately HK\$813.66 million due to the Group by the Treasure Capital Group.

Movement of the Investment Portfolio

Treasure Capital Group used to hold certain shares of China Evergrande New Energy Vehicle Group Limited (“**Evergrande Vehicle**”; Stock Code: 0708.HK) and Chinlink International Holdings Limited (“**Chinlink**”; Stock Code: 0997.HK) as at the date of the Agreement and the Supplemental Agreement. All these Evergrande Vehicle shares and Chinlink shares were sold on 4 October 2021 and 28 October 2021 in the open market respectively (the “**Securities Disposals**”), particulars of which are disclosed in the Company’s announcements dated 4 October 2021 and 29 October 2021 respectively.

The Securities Disposals were allowed pursuant to the terms of the Amended Agreement so long as all net proceeds thereof would be kept in Treasure Capital Group. The Securities Disposal shall not per se affect the Disposal Consideration. However, Mr. Chan did express his concern about the significant fluctuation in the fair value of the investment portfolio held by the Disposal Companies and the Company is currently in negotiation with him for potential amendments on the settlement terms of the Acquisition.

As at 1 November 2021, the carrying value of the investment portfolio held by the Disposal Companies are as follows:

	<i>HK\$ million</i>
Nation Cheer (HK)	96.80
Nation Cheer (Marshall)	105.28
Treasure Capital Group	<u>192.32</u>
Total	<u><u>394.40</u></u>

INFORMATION OF MR. CHAN

Mr. Chan is the beneficial owner of the PYE Shares through two companies wholly-owned by him, namely, BlueSail and Elemet. Mr. Chan is a merchant who has over 30 years’ experience in finance, retail and distribution businesses. As Mr. Chan is not experienced in engineering and property-related service industry, he has through Elemet executed the assignment of Elemet’s shareholder voting rights in PYE to the Company since 1 June 2021 as a form of collaboration with the Company in the management of PYE. Mr. Chan’s original acquisition cost of the PYE Shares amounted to HK\$638 million. As at the date of this announcement, Mr. Chan, holding in aggregate approximately 51.76% equity interest of PYE, is a substantial shareholder of PYE. As a result, Mr. Chan is a connected person of the Company at the subsidiary level. Save as disclosed above, Mr. Chan is independent of and not connected with the Company and any of its connected persons.

BlueSail is a limited liability company incorporated in the BVI and is principally engaged in investment holding. As at the date of this announcement, BlueSail directly holds approximately 41.76% of the issued shares of PYE.

Elemet is a limited liability company incorporated in the BVI and is principally engaged in investment holding. As at the date of this announcement, Elemet directly holds approximately 10.00% of the issued shares of PYE.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Group is principally engaged in, *inter alia*, providing comprehensive engineering and property related services through the PYE Group, land and property development and investment in association with ports and infrastructure development and operation of logistics facilities in the PRC (the “**Ports and Logistics Segment**”) as well as securities trading and investment (the “**Securities Segment**”); and provision of loan financing services. In respect of the Ports and Logistics Segment, the Group operates LPG (liquefied petroleum gas) and CNG (compressed natural gas) distribution and logistics businesses of Hubei Minsheng Liquefied Petroleum Gas Limited.

According to the statistics from the Census and Statistics Department of Hong Kong, during 2010 to 2020, the gross value of construction works performed by main contractors in Hong Kong (the “**Construction Output**”) has grown moderately at an overall compound annual growth rate (CAGR) of 7.5% from approximately HK\$111.3 billion in 2010 to approximately HK\$229.9 billion in 2020. Going forward, as announced in the 2021–22 Budget Speech, the Hong Kong Government has reaffirmed its commitment to invest in public infrastructure with an estimated annual expenditure of over HK\$100 billion on average in the coming years. It is also estimated that the annual Construction Output will increase to around HK\$300 billion. As one of Hong Kong’s largest main contractors, the PYE Group has established a solid reputation with a proven track record of delivering high quality works in both public and private sectors. Therefore, the Directors believe that the PYE Group is well-positioned to capitalize on the potential market growth and are optimistic about the long-term prospect of the construction industry in Hong Kong.

Moreover, the PYE Group has recently achieved growth in revenue and value of contracts on hand. According to the financial information of PYE, the revenue for the year ended 31 March 2021 of approximately HK\$12,170 million (2020: HK\$10,982 million) represented an increase of approximately 10.8% from the previous year. The value of contracts on hand was approximately HK\$50,279 million as at 31 March 2021, up by approximately 13% as compared to the corresponding amount of approximately HK\$44,307 million as at 31 March 2020. In addition, the PYE Group recorded a turnaround to net profit of approximately HK\$31 million for the year ended 31 March 2021 as compared to a loss in

previous year. In view of the solid financial performance of the PYE Group, the Board believes that the Acquisition will allow the Group to increase its share of the PYE Group's future profits and hence provide higher return to the Shareholders in long run.

The Group's history with the PYE Group can be traced back to decades ago, when the PYE Group was a significant subsidiary of the Group. Notwithstanding the PYE Group had ceased to be subsidiary of the Group following the deemed disposal completed in March 2013, the Group nonetheless has been retaining a significant shareholding stake (at approximately 48%) in the PYE Group, which demonstrates its high confidence in the business prospects of the PYE Group. Following the Assignment in June 2021 as aforementioned, the Group again retains a majority control of the voting rights in PYE.

Upon Completion, the Group will further increase the equity interest in the PYE Group. In light of the business prospects, the Group will then be in a better position by taking a full control over the PYE Group. It will then be poised to seize every opportunity to exploit the market share in the engineering and construction sector as well as to reinforce the business synergy within the Group.

As a result of the recent fluctuation of the stock market in Hong Kong and prevailing market sentiment, the Group has recognized a significant unaudited unrealized fair value loss from investments in equity and debt instruments held for trading of approximately HK\$1,168 million for the six months period ended 30 September 2021 and the Directors believe it is beneficial to adopt a more cautious investment strategy. The Disposal provides the Group with an opportunity to realize the investment portfolio held by the Disposal Companies, so as to contain the risks in the stock market that may cause further adverse effect on the Group's financial results. Upon the disposal of the Disposal Companies, the Company will not hold any securities under the Securities Segment but the Company will review its financial conditions and the market environment from time to time and will consider investing in securities again when good opportunities arise.

In addition, the Directors undertake strategic review of the Group's assets from time to time with a view to maximizing returns to the Shareholders. In view of the opportunity to expand the business involvement of the PYE Group, the Group plans to enhance its focus on the engineering business and eventually scale down other loss-making segments of the Group, including the property business.

On 15 September 2021, the Group has entered into the sale and purchase agreement with a purchaser in respect of the Disposal II. The Group plans to, if the Disposal II materializes, utilize part of the proceeds from the Disposal II of RMB700,000,000 to financially support future business development of the PYE Group.

In addition, the proposed settlement of the Acquisition Consideration by fully set-off against the Disposal Consideration allows the Group to avoid cash outlay so as to retain more cash for general working capital requirements and the future business development of the Group. Hence, the Directors consider that proposed settlement arrangement is in the interest of the Group's business development.

Based on the above factors and benefits, the Board (including the independent non-executive Directors) is of the view that the Amended Agreement has been entered into 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, each of the Disposal Companies will cease to be a subsidiary of the Company and the financial results of the Disposal Companies will no longer be consolidated into the financial statements of the Group.

Assuming the completion of the Amended Agreement would take place on the Long Stop Date, it is expected that the Company will recognize a gain of approximately HK\$89.4 million from the Disposal. Such estimated gain is calculated at 51.76% corresponding appraisal value of approximately HK\$776.4 million less the Disposal Companies Value of HK\$675 million and the estimated transaction costs and professional expenses of approximately HK\$12 million. The actual amount of the gain or loss on the Disposal to be recognized in the consolidated financial statements of the Group depends on the net assets/liabilities of the Disposal Companies at the date of Completion and is subject to final audit to be performed by the auditors of the Company and therefore may be different from the amount mentioned above.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratio(s) of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal on the part of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of this announcement, Mr. Chan, holding in aggregate approximately 51.76% equity interest of PYE, is a substantial shareholder of PYE. As a result, Mr. Chan is a connected person of the Company at the subsidiary level, and the Proposed Transactions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) Mr. Chan is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Proposed Transactions; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Proposed Transactions are fair and reasonable and on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Proposed Transactions are exempt from the independent financial advice requirement under Chapter 14A of the Listing Rules.

DECISION OF THE LISTING DIVISION

The Listing Division informed the Company that based on the information provided, it has made a ruling in its decision letter dated 24 September 2021 that the Proposed Transactions, together with the Assignment and a separate transaction of the Company (i.e. the Disposal II), form part of a series of transactions and arrangement which constituted an attempt to achieve a listing of PYE and a means to circumvent the new listing requirements under Chapter 8 of the Listing Rules. The Listing Division is of the opinion that these transactions and arrangements are one transaction and thus constitutes a reverse takeover under Rule 14.06B of the Listing Rules (the "**Decision**"). Details of the Disposal II are disclosed in the Company's separate announcement in relation to a very substantial disposal and connected transaction dated 2 November 2021 and the factors considered by the Listing Division in arriving at the Decision are set out in the Company's inside information announcement dated 4 November 2021.

REQUEST TO REVIEW THE DECISION OF THE LISTING DIVISION

On 4 October 2021, the Company submitted a written request for the Decision to be referred to the Listing Committee of the Stock Exchange for review (the “**Review**”) pursuant to Rule 2B.06(1) of the Listing Rules. The review hearing of the Decision by the Listing Committee will be held on 23 November 2021.

The Company will publish further announcements to keep the Shareholders informed of the outcome of the Review and the Company’s decision as to whether the Proposed Transactions will or will not be proceeded.

GENERAL

Subject to the outcome of the Review, the SGM will be convened for the purpose of considering and, if thought fit, approving the Amended Agreement and the transactions contemplated thereunder.

Mr. Au Wai June, an executive Director, was appointed as a director of Elemet on 2 June 2021 to facilitate the exercise of the approximately 10% voting rights in PYE assigned to the Company from Elemet. He has abstained from voting on the resolutions of the Board approving the Amended Agreement and the transactions contemplated thereunder.

As no Shareholders or any of their respective associates have any material interest in the Amended Agreement, no Shareholders or any of their respective associates are required to abstain from voting at the SGM in respect of the ordinary resolutions to approve the Amended Agreement and the transactions contemplated thereunder.

The Company will despatch a circular in accordance with the Listing Rules, which will contain, among other things (i) further information relating to the Acquisition and the Disposal; (ii) financial information relating to the Group and the Disposal Companies; (iii) an accountant’s report in respect of the PYE Group; (iv) a management discussion and analysis in respect of the PYE Group; (v) unaudited pro forma financial information of the Remaining Group and the Enlarged Group; (vi) the PYE Valuation Report; (vii) letter and report on the profit forecast underlying the valuation on the PYE Group as required under Rule 14.62 of the Listing Rules; (viii) other information as required to be disclosed under the Listing Rules; and (ix) notice of the SGM. It is expected that a circular will be despatched to the Shareholders on or before 31 December 2021 so as to allow the Company to have sufficient time to prepare the information to be included in a circular.

WARNING

Shareholders and potential investors should note that Completion is subject to the fulfilment of the conditions precedent set out in the Amended Agreement and therefore may or may not occur. Furthermore, subject to the outcome of the Review, the Proposed Transactions may or may not proceed to completion and, the Possible Amendments, if materialized, will be a material change to the terms of the Proposed Transactions. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 26 July 2021 in relation to trading halt of the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 26 July 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 November 2021.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the PYE Shares pursuant to the terms and conditions of the Amended Agreement
“Acquisition Consideration”	the consideration for the Acquisition, being HK\$675 million
“Agreement”	the sale and purchase agreement dated 29 July 2021 entered into between the Company and Mr. Chan in relation to the Acquisition and the Disposal
“Amended Agreement”	the Agreement (as amended and supplemented by the Supplemental Agreement)
“Assignment”	an irrevocable and unconditional assignment of a block of approximately 10% shareholder voting rights in PYE from Elemet to the Company on 1 June 2021

“associate”	has the meaning ascribed to it under the Listing Rules
“BlueSail”	BlueSail Limited, a company incorporated in the BVI with limited liability
“Blue River International”	Blue River International Limited, a non-resident domestic company incorporated in the Marshall Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Blue River Investments”	Blue River Investments Group Limited, a non-resident domestic company incorporated in the Marshall Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Blue River Treasury”	Blue River Treasury Group Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	Blue River Holdings Limited (stock code: 498), an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition and the Disposal in accordance with the terms and conditions of the Amended Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$100 million issued by Imagi Brokerage Limited
“Director(s)”	director(s) of the Company
“Disposal”	disposal of entire equity interests and the Sale Loans in the Disposal Companies

“Disposal II”	the proposed disposal of the entire issued share of Profit Tycoon Holdings Limited and the assignment of the relevant shareholder’s loan owing to the Group, details of which are disclosed in the Company’s announcement in relation to a very substantial disposal and connected transaction dated 2 November 2021
“Disposal Companies”	collectively Nation Cheer (HK), Nation Cheer (Marshall), Blue River International and Treasure Capital Group
“Disposal Consideration”	the consideration for the Disposal, being HK\$675 million
“Dragon Mission”	Dragon Mission Enterprise Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company
“Elemet”	Elemet Limited, a company incorporated in the BVI with limited liability
“Enlarged Group”	the Group as enlarged by the PYE Group upon Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Valuer”	Java Consulting Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Long Stop Date”	six (6) months from the date of the Agreement or such other later date as shall be agreed by the Company and Mr. Chan in writing
“Mr. Chan”	Mr. Chan Chak Kai Kenneth
“Nation Cheer (HK)”	Nation Cheer Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Nation Cheer (Marshall)”	Nation Cheer Investment Limited, a company incorporated in the Marshall Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“Proposed Transactions”	the Acquisition and the Disposal
“PYE”	Paul Y. Engineering Group Limited, a company incorporated in the BVI with limited liability
“PYE Group”	PYE and its subsidiaries
“PYE Shares”	631,727,969 shares of PYE, representing approximately 51.76% of the issued shares of PYE
“PYE Valuation Report”	the valuation report dated 4 November 2021 prepared by the Independent Valuer in relation to the valuation of approximately 100% equity interest in PYE as at 15 September 2021
“Remaining Group”	the Company and its subsidiaries after completion of the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loans”	all the outstanding loans owing by the Disposal Companies to the Company or other companies with the Group as at Completion
“SGM”	a special general meeting of the Company to be held to consider and if thought fit, approve the Amended Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Agreement”	the supplemental agreement dated 16 September 2021 entered into between the Company and Mr. Chan to amend certain terms of the Agreement
“Term Sheet”	the legally binding term sheet dated 23 July 2021 entered into between the Company and Mr. Chan in relation to the Acquisition and the Disposal
“Treasure Capital”	Treasure Capital Group Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Treasure Capital Finance”	Treasure Capital Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Treasure Capital Group”	collectively Treasure Capital, Treasure Capital Finance and Treasure Capital Securities
“Treasure Capital Securities”	Treasure Capital Securities Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board

Blue River Holdings Limited

HO Sze Nga

Company Secretary

Hong Kong, 4 November 2021

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

Non-Executive Chairman:

Benny KWONG

Executive Directors:

AU Wai June

Marc TSCHIRNER

SAM Hing Cheong

Independent Non-

Executive Directors:

LEUNG Chung Ki

MA Ka Ki

William GILES

APPENDIX I — REPORT FROM CROWE (HK) CPA LIMITED

The following is the text of a report received from Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

Dear Sirs

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF PAUL Y. ENGINEERING GROUP LIMITED

We refer to the discounted future cash flows on which the business valuation (collectively, the “**Valuation**”) dated 4 November 2021 prepared by Java Consulting Limited in respect of the appraisal of the fair value of 100% equity interest of Paul Y. Engineering Group Limited (the “**Target Company**”) as at 15 September 2021 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Blue River Holdings Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relate to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 4 November 2021

Chan Wai Dune, Charles

Practising Certificate Number P00712

APPENDIX II — LETTER FROM THE BOARD RELATING TO THE PROFIT FORECAST

The following is the text of a letter from the Board for the purpose of incorporation in this announcement.



4 November 2021

The Listing Division
Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sirs,

Re: Very Substantial Acquisition — Acquisition of approximately 51.76% equity interest of Paul Y. Engineering Group Limited

We refer to the announcement of Blue River Holdings Limited (the “**Company**”) dated 4 November 2021 (the “**Announcement**”) in relation to, among other things, the acquisition (the “**Acquisition**”) of approximately 51.76% equity interest of Paul Y. Engineering Group Limited (“**PYE**”).

As disclosed in the Announcement, the consideration was determined after arm’s length negotiations between the parties on normal commercial terms principally with reference to, among others, (i) the valuation of 100% equity interest in PYE and its subsidiaries (the “**PYE Group**”) as at 15 September 2021 with an appraised value of HK\$1,500 million, as prepared by the independent valuer, namely Java Consulting Limited; (ii) the historical financial performance, market reputation and brand recognition of the PYE Group; (iii) the business prospects of the PYE Group; and (iv) the reasons for and benefits of the Acquisition as described in the Announcement.

The valuation on the PYE Group using the discounted cash flow is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

For the purpose of preparing this letter, we have (i) considered the report from Crowe (HK) CPA Limited regarding the arithmetical accuracy of the calculations of the Profit Forecast upon which the valuation of the PVE Group is based; (ii) reviewed the Profit Forecast upon which the valuation of the PVE Group has been made; (iii) discussed with the relevant senior management of the PVE Group regarding, the bases and assumptions upon which the Profit Forecast regarding the PVE Group in the valuation has been prepared, the relevant work conducted by the senior management, and the historical performance of the PVE Group; and (iv) reviewed the reports to the Directors from the senior management of the PVE Group regarding the calculations of the discounted future cash flows used in the valuation. We confirm that the Profit Forecast was made after due and careful enquiry.

Yours faithfully,
For and on behalf of

Blue River Holdings Limited

Mr. Marc Tschirner
*Managing Director and
Executive Director*