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Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUBSCRIPTION OF 24.64% EQUITY INTEREST IN THE TARGET COMPANY

THE SUBSCRIPTION

On 7 October 2022 (after trading hours), the Subscriber (an indirect wholly-owned subsidiary of the Company) and the Target Company entered into the Subscription Agreement pursuant to which, the Subscriber has conditionally agreed to subscribe for and the Target Company has conditionally agreed to issue and allot 85 Subscription Shares at the Consideration of HK\$75,000,000 (equivalent to the Subscription Price of approximately HK\$882,353 per Subscription Share).

Upon Completion, the Subscriber will hold approximately 24.64% of the issued share capital of the Target Company as enlarged by the issue of the Subscription Shares.

LISTING RULES IMPLICATIONS

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

Completion is conditional upon the satisfaction of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

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Upon Completion, the Subscriber will hold approximately 24.64% of the issued share capital of the Target Company as enlarged by the issue of the Subscription Shares.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

7 October 2022 (after trading hours)

Parties

- (1) The Subscriber; and
- (2) The Target Company

As at the date of this announcement, the Target Company is owned as to approximately 30.76%, 23.08%, 23.08% and 23.08% by First Avenue Limited, China Resources Enterprise Limited, Violet Fame Limited and Mr. David Ki. Each of the Target Company and its ultimate beneficial owners is an Independent Third Party. Details of the shareholders of the Target Company are disclosed in the section headed “INFORMATION OF THE PARTIES” below.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Target Company has conditionally agreed to issue and allot 85 Subscription Shares at the Consideration of HK\$75,000,000.

As at the date of this announcement, the Target Company's total number of shares in issue is 260. Upon Completion, the Subscriber will hold 85 shares of the Target Company, representing approximately 24.64% of the issued share capital of the Target Company as enlarged by the issue of the Subscription Shares.

The Consideration

The Consideration amounts to HK\$75,000,000. The Subscription Price is approximately HK\$882,353 per Subscription Share. The Consideration will be settled by the Subscriber in cash upon Completion.

The Consideration will be satisfied by the internal resources of the Group and/or external borrowings.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the parties to the Subscription Agreement after taking into consideration various factors, among other things, (i) the licensed status of Hope Securities (being the operating subsidiary wholly-owned by the Target Company); (ii) unaudited consolidated net assets value of the Target Group of approximately HK\$230.0 million as at 31 August 2022; (iii) the business prospects of the Target Group; and (iv) the factors stated in the section headed "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION" set out below.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Conditions Precedent

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

- (i) the Subscriber having conducted and completed due diligence on all business, assets and liabilities, legal and financial matters in respect of the Target Company and all such other matters as deemed necessary; and

- (ii) the Company shall have obtained all necessary waiver, consent, approval, licence, authorisation, qualification, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement.

If the above conditions precedent have not been fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches of the terms thereof.

Completion

Upon fulfilment of all the conditions set out in the section headed “Conditions Precedent” above, Completion shall take place within 3 Business Days after the satisfaction of all the conditions precedent or such other date as the parties may agree in writing.

Upon Completion, the Subscriber will hold approximately 24.64% of the issued share capital of the Target Company as enlarged by the issue of the Subscription Shares. Accordingly, the Target Company will become an associate of the Company.

Undertaking by the Target Company

After arms’ length negotiation, the Board successfully procured the Target Company to undertake that it will, by way of resolution of directors, authorise a distribution by way of dividend of 60% of its net profits after taxation for each financial year to its shareholders on a pro-rata basis within three months after the financial year end of each financial year.

INFORMATION OF THE PARTIES

Information of the Target Company and the Target Group

The Target Company is a company incorporated in the BVI with limited liability. The principal activity of the Target Company is investment holding. Hope Securities, a direct wholly-owned subsidiary of the Target Company, 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 SFO in Hong Kong and is principally engaged in the provision of one-stop integrated financial services.

For illustration purpose only, the table below sets out the shareholding structure of the Target Company (i) as at the date of this announcement, and (ii) upon Completion (assuming that there is no other change in the issued share capital of the Target Company):

Name of shareholders	As at the date of this announcement		Upon Completion	
	<i>Number of shares</i>	<i>Approximate percentage in the total number of issued shares</i>	<i>Number of shares</i>	<i>Approximate percentage in the total number of issued shares</i>
First Avenue Limited	80	30.76	80	23.19
China Resources Enterprise Limited	60	23.08	60	17.39
Violet Fame Limited	60	23.08	60	17.39
Mr. David Ki	60	23.08	60	17.39
The Subscriber	—	—	85	24.64
	<u>260</u>	<u>100.00</u>	<u>345</u>	<u>100.00</u>

First Avenue Limited is a company incorporated in the BVI with limited liability and is principally engaged in investment holding, which is a wholly-owned subsidiary of Oshidori International Holdings Limited (stock code: 622), a company listed on the Main Board of the Stock Exchange.

China Resources Enterprise Limited is a company incorporated in the BVI with limited liability and is principally engaged in investment holding, which is a wholly-owned subsidiary of Imagi International Holdings Limited (stock code: 585), a company listed on the Main Board of the Stock Exchange.

Violet Fame Limited is a company incorporated in the BVI with limited liability and is principally engaged in investment holding, which is a wholly-owned subsidiary of CST Group Limited (stock code: 985), a company listed on the Main Board of the Stock Exchange.

Mr. David Ki is an individual investor who possesses extensive experience in securities investment. He currently serves as a director of the Target Company and Hope Securities.

Financial Information of the Target Group

The table below sets out the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2021 and 31 December 2020, and for the eight months ended 31 August 2022 respectively (prepared in accordance with the Hong Kong Financial Reporting Standards):

	For the eight months ended 31 August 2022	For the year ended 31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	9,461	16,948	1,347
– <i>Commission income from securities brokerage</i>	<i>17</i>	<i>1,049</i>	<i>165</i>
– <i>Interest income from margin financing</i>	<i>9,444</i>	<i>15,899</i>	<i>1,182</i>
Net profit/(loss) before tax	5,030	9,236	(6,063)
Net profit/(loss) after tax	5,448	9,236	(6,063)

According to the management accounts of the Target Group for the eight months ended 31 August 2022, the unaudited consolidated net assets value of the Target Group as at 31 August 2022 was approximately HK\$230.0 million.

Information of the Company and the Subscriber

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in, among others, development and operation of ports, infrastructure, gas distribution and logistics facilities in the PRC, providing comprehensive engineering and property-related services through Paul Y. Engineering Group Limited and its subsidiaries, land and property development and investment in the PRC, securities trading and investment, and provision of financing related services.

The Subscriber, an indirect wholly-owned subsidiary of the Company, is incorporated in the Marshall Islands with limited liability. The Subscriber is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group has been constantly looking for new opportunities in order to enhance value of the Shareholders. The Directors consider that it will be beneficial for the Group to seek suitable investment opportunity from time to time to expand and diversify its existing business portfolio to business area with growth potential and broaden its source of income.

According to the “Market statistics 2021” published by the Stock Exchange, average daily turnover of the Hong Kong securities market increased by approximately 28.8% from HK\$129.5 billion in 2020 to HK\$166.7 billion in 2021. Despite the slowdown in the financial market in the first half of 2022 due to the global geopolitical and economic uncertainties brought about by the interest rate hike by the Federal Reserve and the lingering Russia-Ukraine conflict, the Board is optimistic about the long-term growth prospect of the financial services industry in Hong Kong upon gradual resumption of quarantine-free travel with the PRC and the reopening across the world.

The Target Group recorded a net profit after tax of approximately HK\$9.2 million for the year ended 31 December 2021, which was attributable to the significant increase in interest income from margin financing business from approximately HK\$1.2 million for the year ended 31 December 2020 to approximately HK\$15.9 million for the year ended 31 December 2021. In view of the Target Group’s growing margin financing business and its turnaround from loss-making for the year ended 31 December 2020 to profit-making for the year ended 31 December 2021, the Company believes that the Subscription represents an attractive investment opportunity of the Group to generate satisfactory returns to the Group. Further, by leveraging on the expertise of the management team of the Target Group, the Board believes that the growth momentum of the Target Company will sustain and thus the Group will be benefited from sharing the financial results of the Target Group in the long run.

Based on the foregoing, the Board is of the view that the Subscription is on normal commercial terms, and that the terms are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Completion is conditional upon the satisfaction of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any other public holidays) on which banks in Hong Kong are generally open for settlement business
“BVI”	the British Virgin Islands
“Company”	Blue River Holdings Limited (stock code: 498), an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Consideration”	the total consideration of HK\$75,000,000 to be received by the Target Company for the Subscription
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hope Securities”	Hope Securities Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Target Company
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time

“Long Stop Date”	one month from the date of the Subscription Agreement (or such later date as may be agreed in writing between the Target Company and the Subscriber)
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Blue River Investments Limited, a non-resident domestic company incorporated in the Marshall Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of approximately 24.64% of the issued share capital of the Target Company as enlarged by the issue of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 7 October 2022 entered into between the Subscriber and the Target Company relating to the Subscription
“Subscription Price”	approximately HK\$882,353 per Subscription Share
“Subscription Share(s)”	the 85 ordinary shares of no par value in the share capital of the Target Company to be allotted and issued by the Target Company to the Subscriber pursuant to the Subscription Agreement
“Target Company”	Hope Capital Limited, a company incorporated in the BVI with limited liability with 260 ordinary shares of no par value in issue before the Subscription

“Target Group”

the Target Company and Hope Securities

“%”

per cent

By Order of the Board

Blue River Holdings Limited

HO Sze Nga

Company Secretary

Hong Kong, 7 October 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