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Blue River Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the annual report of Blue River Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) for the year ended 31 March 2022 published on 29 July 2022 (the “**Annual Report**”). Unless otherwise defined in this announcement or the context requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide additional information regarding the disclosure with respect to the money lending business of the Group as below:

As at 31 March 2022, the Group’s loan receivables of HK\$196,626,000 consisted of:

- (a) loan receivables arisen from the Group’s engineering business with carrying amount of HK\$177,226,000 (represented approximately 90% of total loan receivables of the Group) were made by an indirect wholly owned subsidiary of Paul Y. Engineering to an indirect wholly owned subsidiary of its former controlling shareholder, South Shore Holdings Limited (in liquidation) (“**South Shore**”), for partial settlement of construction cost payable by a subsidiary of South Shore to Paul Y. Engineering. South Shore, being the guarantor of the loan receivables, is a company incorporated in Bermuda and was delisted from the Main Board of the Stock Exchange on 9 February 2023. South Shore was principally engaged in hotel and entertainment development in Macau and is currently under liquidation upon a winding up order granted to South Shore by the Supreme Court of Bermuda on 23 July 2021. The loan receivables were firstly granted to the subsidiary of South

Shore by a subsidiary of Paul Y. Engineering in April 2016 under a loan agreement at an interest rate of 2% per annum over the Best Lending Rate of Hong Kong Dollar as quoted by The Hongkong and Shanghai Banking Corporation Limited for settlement of the non-interest-bearing trade receivables due from the subsidiary of South Shore to Paul Y. Engineering. The loan receivables that were originally repayable on 30 September 2016 were further extended to 30 September 2021 under several supplemental loan agreements due to the inability of South Shore to repay the loans. The loan receivables were considered as defaulted when Paul Y. Engineering being accounted for as a subsidiary in the consolidated financial statements of the Group on 1 June 2021 (the “**Consolidation of PYE**”) and as such no interest income has been accrued for the loan receivables since the Consolidation of PYE. The loan receivables are covered by the retention right over the building of South Shore constructed by Paul Y. Engineering under the construction contracts, in which legal action has been taken for the recovery of the loan receivables. As detailed in the announcement dated 6 November 2022, Paul Y. Engineering ceased to be recognised as a subsidiary of the Company and the loan receivables were deconsolidated from the Group on 4 November 2022.

- (b) a loan receivable arisen from the Group’s money lending business with carrying amount of HK\$19,400,000 (represented approximately 10% of total loan receivables of the Group) was due from a company which holds money lenders licence in Hong Kong. The loan was advanced to this borrower for its general working capital and was financed by internal resources of the Group. The principal terms of the loan granted were detailed in Note 29 to the consolidated financial statements of the Annual Report. The loan receivable was granted to the borrower in June 2021 for a term of one year and this loan was fully repaid by the borrower in June 2022.

BUSINESS MODEL

The Group has provided money lending services to both individual and corporate clients. The source of funding for the Group’s money lending business is financed by the internal resources of the Group. The clientele primarily consists of niche customers including corporations and high net-worth individuals mostly referred by the Company’s senior management, business partners or clients or clientele with past business or dealings with the Group.

The management of the Company is primarily responsible for designing, implementing and maintaining the credit policies and internal control procedures of the Group’s money lending business, and has full authority to handle all credit matter for, and monitor, the loan portfolio.

INTERNAL CONTROL PROCEDURES AND CREDIT RISK ASSESSMENT

The loan applications, ongoing monitoring and collections of the money lending business of the Group are led by an executive director of the Company who has approximately 5 years' management experience in financial services and money lending business and is supported by employees of the Group including qualified accountants.

Loan approval

Upon receipt of a loan application from a potential borrower, due diligence works will be carried out by the supporting employees for the money lending business on the creditworthiness of the potential borrower and to understand the borrower's repayment ability including the borrower's identity, background, financial conditions and the purpose of the loan through (i) interview with the borrower; and (ii) review the statutory and financial supporting documents provided by the borrower and/or obtained from external sources and relevant public record searches. Throughout the credit assessment procedures, certain key factors are being considered to assess the borrower's repayment ability, which includes: (i) the financial strength of the borrower; (ii) the historical credit and repayment record of the borrower; (iii) any guarantee offered by, and the financial strength of, the guarantor; (iv) any collateral offered and the quality and liquidity of such collateral; and (v) the purpose of the loan and the corresponding repayment plan.

The loan terms are normally arrived at by arms-length negotiations with the borrowers on case-by-case basis, after considering the due diligence and credit assessment result as mentioned above and a combination of other factors including prevalent market interest rates and the quality of collateral offered.

Final decision on any loan application is subject to review and approval by the executive director leading the money lending business. Significant loan which may constitute a disclosable transaction under the Listing Rules is subject to further review and approval by the Board.

Ongoing monitoring of loan recoverability and loan collection

The management of the Company is primarily responsible for the ongoing monitoring of the credit quality of the loan portfolio. The supporting employees for the money lending business check for any irregularities of the borrowers, guarantors and collaterals (including litigation and bankruptcy or winding up searches, news or events that may have negative bearings on the loans or the repayment ability of the borrowers) regularly (generally on a half-yearly basis, or more frequently if the credit risk is found to be increased) and report to the director for any material financial events in relation to the loans.

The supporting employees for the money lending business will remind the borrowers of the repayment schedules via phone calls, email or text messages when the loans are due. For overdue or default loans, follow-up actions including issuing demand letters, seizing collateral, demanding repayment from guarantors and initiating legal proceedings will be taken on a case-by-case basis by the decision of the management of the Company.

In case the borrower requests for extension or modification of the repayment schedule, a new approval has to be obtained by going through the loan approval procedure again.

Impairment provision on the loan receivables would be assessed and measured in accordance with impairment requirements of HKFRS 9 with the accounting policies detailed in Note 3(n) to the consolidated financial statements in the Annual Report. As at 31 March 2022, the Group had impairment loss reversed on loan receivables in the sum of approximately HK\$1,310,000 due to recovery of certain loan receivables previously impaired whilst as at 31 March 2021, the Group had impairment loss on loan receivables in the sum of approximately HK\$130,399,000 as the loan receivables concerned had been overdue for a period of time and no concrete evidence could be obtained for their recovery.

The Company has not entered into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person with respect to the grant of loans to the borrower(s) whose loan(s) was still outstanding as at 31 March 2022. The Company has complied with the requirements set out in Chapter 14 and/or 14A (where applicable) of the Listing Rules when it granted the loans to each of the borrower(s), whose loan(s) was still outstanding as at 31 March 2022.

The above additional information does not affect other information contained in the Annual Report and, save as disclosed in the announcement, all other information in the Annual Report remains unchanged.

Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board

Blue River Holdings Limited

HO Sze Nga

Company Secretary

Hong Kong, 10 February 2023

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