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Sky Blue 11 Company Limited

(formerly known as Balk 1798 Group Limited 巴克1798集團有限公司)

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “Board”) of directors (the “Directors”) of Sky Blue 11 Company Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively referred hereinafter as the “Group”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	5	113,970	181,076
Cost of sales		<u>(82,411)</u>	<u>(96,481)</u>
Gross profit		31,559	84,595
Other income and (losses)/gains, net	6	(850)	927
Selling and distribution costs		(7,053)	(27,693)
General and administrative expenses		(61,510)	(47,588)
Finance costs	7	(410)	(4,763)
Impairment of financial assets		(5,990)	(2,072)
(LOSS)/PROFIT BEFORE TAX	8	(44,254)	3,406
Income tax expense	9	(2,193)	(5,642)
LOSS FOR THE YEAR		<u>(46,447)</u>	<u>(2,236)</u>
Attributable to:			
Owners of the Company		<u>(46,447)</u>	<u>(2,236)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
– Basic and diluted		<u>HK(12.54) cents</u>	<u>HK(0.60) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(46,447)</u>	<u>(2,236)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(4,157)	(12,972)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>460</u>	<u>(4,520)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(3,697)</u>	<u>(17,492)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(50,144)</u>	<u>(19,728)</u>
Attributable to:		
Owners of the Company	<u>(50,144)</u>	<u>(19,728)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,918	2,460
Investment properties		28,901	30,328
Right-of-use assets		4,888	1,266
Investment in an associate		–	–
Equity investments designated at fair value through other comprehensive income		4,360	3,900
Deferred tax assets		354	613
Long-term deposits		1,052	228
		<hr/>	<hr/>
Total non-current assets		41,473	38,795
CURRENT ASSETS			
Finance lease receivable		–	–
Inventories		149,428	174,013
Trade and bills receivables	12	93,852	141,469
Prepayments, other receivables and other assets	13	7,600	3,128
Loan receivables		–	–
Financial assets at fair value through profit or loss		67	67
Tax recoverable		152	157
Cash and cash equivalents	14	69,107	104,326
		<hr/>	<hr/>
Total current assets		320,206	423,160
CURRENT LIABILITIES			
Trade payables	15	101,089	66,398
Other payables and accruals	16	12,134	107,710
Lease liabilities		3,495	764
Amount due to a shareholder		237,530	232,644
Tax payable		8,420	6,393
		<hr/>	<hr/>
Total current liabilities		362,668	413,909
NET CURRENT (LIABILITIES)/ASSETS		<hr/> (42,462)	<hr/> 9,251
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> (989)	<hr/> 48,046
NON-CURRENT LIABILITIES			
Lease liabilities		1,990	881
		<hr/>	<hr/>
NET (LIABILITIES)/ASSETS		<hr/> (2,979)	<hr/> 47,165
EQUITY			
Equity attributable to owners of the Company			
Share capital		37,025	37,025
Other reserves		102,855	106,552
Accumulated losses		(142,859)	(96,412)
		<hr/>	<hr/>
Total equity		<hr/> (2,979)	<hr/> 47,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 CORPORATE AND GROUP INFORMATION

The Company was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Suite 6504, 65/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, effective from 1 June 2023. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the year, the Group was principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management services; and (iii) manufacturing and sales of yachts and other yacht related businesses.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Going concern

The Group recorded a loss of approximately HK\$46,447,000 (2022: HK\$2,236,000) for the year ended 31 December 2023, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK\$42,462,000 (2022: net current assets of HK\$9,251,000) and HK\$2,979,000 (2022: net assets of HK\$47,165,000) respectively. Further, as at 31 December 2023, the Group's cash in frozen bank account amounted to approximately RMB43,437,000, equivalent to approximately HK\$47,450,000 (2022: nil). The Group's current liabilities were mainly due to a shareholder with an amount of HK\$237,530,000 (2022: HK\$232,644,000). The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this fact, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligations as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Directors have reviewed the financial position of the Group as at 31 December 2023, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financial viable to continue as a going concern.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

1. the Group will carefully monitor and control administrative costs and future capital expenditures;
2. a shareholder of the Group has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any repayment of amount due to a shareholder until the Group is in a financial position to do so; and
3. the Directors have carried out a detail review of the working capital forecast of the Group for not less than twelve months from the year end date, which took into account the projected future working capital of the Group.

3 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2023:

HKFRS17 (including the October 2020 and February 2022 amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

4 OPERATING SEGMENT INFORMATION

For management's purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools and display products;
- (ii) executive jet management services;
- (iii) manufacturing and sales of yachts and other yacht related businesses ("**Yacht businesses**");
- (iv) property investment; and
- (v) the "Headquarter and others" segment comprises principally the Group's corporate administrative and investment functions performed by the headquarter and provision of finance lease services.

These main operations are the basis on which the management identifies the primary segment information.

4 OPERATING SEGMENT INFORMATION (continued)

The management regularly reviews the basis in order to make decisions about resources to be allocated to the segment and assess its performance.

	Design and sales of integrated circuits <i>HK\$'000</i>	Executive jet management <i>HK\$'000</i>	Yacht businesses <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Headquarter and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023						
Revenue from external customers	<u>25,198</u>	<u>-</u>	<u>88,772</u>	<u>-</u>	<u>-</u>	<u>113,970</u>
Operating loss	(567)	(5,435)	(7,523)	(1,453)	(29,416)	(44,394)
Interest income	<u>1</u>	<u>-</u>	<u>110</u>	<u>-</u>	<u>29</u>	<u>140</u>
Loss before income tax	<u>(566)</u>	<u>(5,435)</u>	<u>(7,413)</u>	<u>(1,453)</u>	<u>(29,387)</u>	<u>(44,254)</u>
Other segment information:						
Depreciation of property, plant and equipment	(301)	-	-	-	(208)	(509)
Depreciation of right-of-use assets	(596)	-	(169)	-	(1,061)	(1,826)
Reversal/(provision) of impairment for inventories, net	970	-	(15,499)	-	-	(14,529)
Impairment of financial assets, net	(111)	(5,370)	(48)	-	(461)	(5,990)
Finance costs	<u>(70)</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	<u>(278)</u>	<u>(410)</u>
Capital expenditure*	<u>5</u>	<u>-</u>	<u>702</u>	<u>-</u>	<u>4,779</u>	<u>5,486</u>
Segment assets	<u>34,281</u>	<u>17,190</u>	<u>267,228</u>	<u>28,901</u>	<u>14,079</u>	<u>361,679</u>
Segment liabilities	<u>4,728</u>	<u>2,520</u>	<u>98,590</u>	<u>-</u>	<u>258,820</u>	<u>364,658</u>

4 OPERATING SEGMENT INFORMATION (continued)

	Design and sales of integrated circuits <i>HK\$'000</i>	Executive jet management <i>HK\$'000</i>	Yacht businesses <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Headquarter and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022						
Revenue from external customers	<u>34,527</u>	<u>26,782</u>	<u>119,767</u>	<u>–</u>	<u>–</u>	<u>181,076</u>
Operating profit/(loss)	1,874	(93)	23,348	–	(21,925)	3,204
Interest income	<u>107</u>	<u>–</u>	<u>90</u>	<u>–</u>	<u>5</u>	<u>202</u>
Profit/(loss) before income tax	<u>1,981</u>	<u>(93)</u>	<u>23,438</u>	<u>–</u>	<u>(21,920)</u>	<u>3,406</u>
Other segment information:						
Depreciation of property, plant and equipment	(534)	–	–	–	(489)	(1,023)
Depreciation of right-of-use assets	(703)	–	–	–	–	(703)
Reversal of impairment for inventories	778	–	–	–	–	778
Impairment of financial assets	(65)	–	(60)	–	(1,947)	(2,072)
Finance costs	<u>(105)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,658)</u>	<u>(4,763)</u>
Capital expenditure*	<u>2,525</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,525</u>
Segment assets	<u>38,456</u>	<u>22,594</u>	<u>303,469</u>	<u>30,328</u>	<u>67,108</u>	<u>461,955</u>
Segment liabilities	<u>7,760</u>	<u>19,693</u>	<u>145,243</u>	<u>–</u>	<u>242,094</u>	<u>414,790</u>

* *Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.*

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	88,772	146,549
The People's Republic of China (the "PRC")	<u>25,198</u>	<u>34,527</u>
	<u>113,970</u>	<u>181,076</u>

The revenue information above is based on the locations of the operations of the relevant business units.

(b) *Non-current assets*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	6,005	1,103
The PRC	1,853	2,851
The Island of Saipan	<u>28,901</u>	<u>30,328</u>
	<u>36,759</u>	<u>34,282</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets and equity investments designated at fair value through other comprehensive income.

5 REVENUE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Sales of integrated circuits	25,198	34,527
Sales of yacht	88,772	118,381
Executive jet management services	–	26,782
Super yacht management services	–	1,386
	<u>113,970</u>	<u>181,076</u>
	<u>113,970</u>	<u>181,076</u>

6 OTHER INCOME AND (LOSSES)/GAINS, NET

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	140	202
Government subsidies	–	383
Research and development income	198	175
Repair and maintenance income	122	–
Fair value losses on investment properties	(1,427)	–
Loss on disposal of property, plant and equipment	–	(57)
Sundry income	117	224
	<u>(850)</u>	<u>927</u>
	<u>(850)</u>	<u>927</u>

7 FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	410	105
Interest on loans from a shareholder	–	4,658
	<u>410</u>	<u>4,763</u>

8 (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	66,913	71,555
Depreciation of property, plant and equipment	509	1,023
Depreciation of right-of-use assets	1,826	703
Auditor's remuneration	1,000	1,150
Directors' remuneration	1,197	1,997
Employee benefits expenses (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	27,193	28,233
Pension scheme contributions	1,872	2,584
	29,065	30,817
Foreign exchange difference, net	8	123
Provision/(reversal) of impairment for inventories, net*	14,529	(778)
Impairment of finance lease receivables#	–	1,947
Impairment of trade and bills receivables#	5,758	60
Impairment of other receivables#	<u>232</u>	<u>65</u>

* Included in "Cost of sales" in the consolidated statement of profit or loss.

Included in "Impairment of financial assets" in the consolidated statement of profit or loss.

9 INCOME TAX EXPENSE

The Group is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2,000,000 estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK\$2,000,000 during the year. Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25% and Special Enterprise Income Tax rate of 15%.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Hong Kong	2,019	5,642
Over-provision in prior years – the PRC	(68)	–
Deferred tax – the PRC	242	–
	<u>2,193</u>	<u>5,642</u>
Total tax charge for the year	<u>2,193</u>	<u>5,642</u>

10 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2023 (2022: Nil) nor has any dividend been proposed since the end of the reporting period (2022: Nil).

11 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share are based on:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	<u>(46,447)</u>	<u>(2,236)</u>

	Number of shares	
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>370,425</u>	<u>370,425</u>

The Group has not issued any potentially dilutive ordinary shares during the year ended 31 December 2023 and 2022.

12 TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	96,052	140,152
Loss allowance	<u>(5,723)</u>	<u>(60)</u>
	<u>90,329</u>	<u>140,092</u>
Bills receivables	3,618	1,377
Loss allowance	<u>(95)</u>	<u>–</u>
	<u>3,523</u>	<u>1,377</u>
Trade and bills receivables	<u><u>93,852</u></u>	<u><u>141,469</u></u>

The ageing analysis of trade receivables as at the end of the reporting period, based on the invoice or delivery dates and net of loss allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	81	102
More than 1 month but less than 3 months	34	119
More than 3 months	<u>90,214</u>	<u>139,871</u>
	<u><u>90,329</u></u>	<u><u>140,092</u></u>

13 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deposits and other receivables	5,905	2,551
Prepayments	4,421	2,247
Loss allowance	<u>(1,674)</u>	<u>(1,442)</u>
	<u>8,652</u>	<u>3,356</u>
<i>Less: non-current portion</i>	<u>1,052</u>	<u>228</u>
Current portion	<u><u>7,600</u></u>	<u><u>3,128</u></u>

14 CASH AND CASH EQUIVALENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash and cash equivalents	21,657	104,326
Cash in frozen bank account	<u>47,450</u>	<u>–</u>
	<u>69,107</u>	<u>104,326</u>

As at 31 December 2023, the cash and bank balances of the Group's subsidiary in the PRC denominated in Renminbi ("RMB") amounted to HK\$68,532,000 (2022: HK\$74,698,000). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB to other currencies through banks authorised to conduct foreign exchange business. A cash deposit of approximately RMB43,437,000, equivalent to approximately HK\$47,450,000 maintained in one of the bank accounts of the Group was frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023 (the "**Ruling**"). Such Ruling was against one of the suppliers of the Group, namely Liaoning Jinlong Mega Yacht Manufacturing Co. Limited, for its failure to repay a loan borrowed from a bank in the PRC. For more details, please refer to the announcement of the Company dated 28 April 2023 (31 December 2022: nil). As of the date of this announcement, the Group's legal adviser is still dealing with the above-mentioned matter, and there is no new progress for the time being.

Cash at banks and time deposits earn interest at floating rate based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

15 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	–	–
More than 1 month but less than 3 months	–	–
More than 3 months	<u>101,089</u>	<u>66,398</u>
	<u>101,089</u>	<u>66,398</u>

The trade payables are non-interest bearing and are normally settled within 30 to 90 days.

16 OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accruals	5,809	9,938
Contract liabilities	846	92,028
Other payables	<u>5,479</u>	<u>5,744</u>
	<u>12,134</u>	<u>107,710</u>

17 EVENTS AFTER THE REPORTING PERIOD

On 22 December 2023, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent conditionally agreed to place the placing shares of up to 74,049,028 new shares of the Company to be not less than six placees at the placing price of HK\$0.56 per placing share. The net proceeds of approximately HK\$40,223,000 from the placing will be used for general working capital and business development. The placing was completed on 17 January 2024.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 11 January 2024, the shareholders of the Company approved to change the name of the Company from “Balk 1798 Group Limited” to “Sky Blue 11 Company Limited” and the secondary name of the Company from 「巴克1798集團有限公司」 to 「天璽曜11有限公司」. The change of the Company’s name became effective on 17 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW AND OUTLOOK

Looking back at 2023, it became evident that the recovery period from the COVID-19 pandemic was unexpectedly prolonged, resulting in an economic recession in major economies. The downward trend in the economy throughout the entire year of 2023 was extremely difficult to reserve or survive for many industries. While facing uncertainties on the economic outlook, the customers' purchasing power as well as the consumption sentiment experienced a continuous decline, particularly in the consumption products and luxury goods. As a result, the financial performance, especially on the business segments of the executive jet management and yacht businesses of the Group, was inevitably affected.

In light of the challenges faced, the Group adhered to its prudent approach by closely monitoring its business portfolio and implementing various strategies and decisive measures to reform during the year ended 31 December 2023, aiming to mitigate the negative impacts of the challenges and enhance the shareholders' value. Objectives of these measures were i) to maintain the core business that can create reliable returns with competitive advantages; ii) to exit from businesses that have not met expectations or might require further input from the Group; and iii) to continuously seek opportunities that enhance the Group's revenue bases and profit-making abilities.

In 2023, the principal businesses of the Group were i) the design and sales of integrated circuits and semi-conductors parts, ii) executive jet management, and iii) manufacturing and sales of yachts and other yachts related businesses. Throughout the year ended 31 December 2023, alongside with the reforms implemented by the management of the Group (the "**Management**"), the Group has endeavored to maintain its position by reducing costs and enhancing efficiencies across all business segments to generate stable cash flow of the Group and foster sustainable business development in the long term.

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$114.0 million, representing a decrease of 37.1% while compared to the revenue of approximately HK\$181.1 million for the year ended 31 December 2022. A loss for the year of approximately HK\$46.4 million was recorded for the year ended 31 December 2023, which was significantly higher when compared to the loss for the year of approximately HK\$2.2 million for the year ended 31 December 2022. The loss was mainly attributable to increase in certain non-cash expenses, including provision for impairment of inventories and impairment of financial assets.

The selling and distribution costs was reduced from approximately HK\$27.7 million for the year ended 31 December 2022 to approximately HK\$7.1 million for the year ended 31 December 2023 and the finance costs was reduced from approximately HK\$4.8 million for the year ended 31 December 2022 to approximately HK\$0.4 million for the year ended 31 December 2023. The general and administrative expenses was increased from approximately HK\$47.6 million for the year ended 31 December 2022 to approximately HK\$61.5 million for the year ended 31 December 2023 which was due to the impairment of financial assets, the increasing rental expenses and overhead expenses.

While the global economic activities gradually return to pre COVID-19 pandemic level, the effects of COVID-19 pandemic continue to pose a fundamental and prolonged challenge to our economies, societies and business environments. However, by virtue of the foresaid ongoing reform, it allows the Group to revisit the business strategies and relocates its resources on its core businesses as well as to explore business opportunities in different segment which will benefit to the Group in the long run. The Group is confident in the future prospect and committed to the continuous growth to the Group.

According to the Sales Market Report by IYC Yachts, the yacht sales market in 2023 continued a downward trend which was began in quarter 3 of 2022. The total sales of yachts in the market in 2023 decreased by 29% as compared to 2022. Despite the decline in the sale of yachts in 2023, the selling prices of yachts remained stable and even experienced an increase by 39% for used units and 11% for new yachts. The increase was mainly driven by the ongoing demands for large yachts that required higher construction prices and limited available construction slots for new builds in shipyards.

Having considered the potential market growth in the yacht industry, the Group is ambitious and intends to allocate more resources to expand its business development in the manufacturing and sales of yachts and other yachts related businesses. On 7 November 2023, the Group entered into a non-legally binding memorandum of understanding (the “MOU”) with Balk Beheer B.V., a company incorporated in the Netherlands. Pursuant to the MOU, the Company intends to acquire, and Balk Beheer B.V. intends to dispose of, the entire issued share capital of its subsidiary, namely B&W Beleggingen B.V. which holds the lease rights for a building plot in a new harbour known as “Maritieme Servicehaven Noordelijke Flevoland” (“MSNF”). MSNF is a new port which has gained support from the local government. It is a port that will focus on international maritime services.

The Group intends to invest in the development of MSNF including the construction of a new shipyard at MSNF, through the proposed acquisition of B&W Beleggingen B.V. The intended uses of the new shipyard include manufacturing superyachts and conducting refitting work. Furthermore, the Group will continue to prioritise and expand its operations in the sales of superyachts, provision of after-sales services, luxury yacht rentals, onboard entertainment, and yacht tourism.

The Directors believe the proposed acquisition of B&W Beleggingen B.V. is a developmental milestone in the Group's yacht business, allowing the Group to expand its yacht business out of China and can further enhance the business portfolio of the Group's yacht business by providing a more comprehensive range of services. With such investment pursuant to the MOU, the Directors believe that the Group's income stream will be broadened and beneficial to the Group as a whole. In addition, leveraging the Group's expertise on the manufacturing and sales of superyacht, the Group will also consider further expanding its reach to the development of other types of vessels such as megayachts, cruises and cargo vessels in future. For more details, please refer to the announcements of the Company dated 7 November 2023 and 13 November 2023.

To align with the business strategies of the Group, new measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the then opportunities. The Management is confident that the responsive measures taken have allowed the Group to deploy its resources into businesses with promising future, and will therefore enhance its revenue base and create long-term profitability.

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts in the PRC, Hong Kong and Taiwan remains as one of the core businesses of the Group. The Group acquires raw material integrated circuit ("IC") and semi-conductor related parts from external suppliers and relies on internet technology and related equipment for the design of IC related products before sourcing out to external sub-contractors for production. The Group does not involve in the manufacturing processes in the course of business.

The Group's IC products are used in industrial and housing measuring tools and electronic bicycles battery charger market. The core research and development team in Shanghai, the PRC provides the design of the products and the products are then sourced to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in Shanghai, the PRC, the Group then sells the products to customers, which are usually end-product manufacturers/producers.

There are mainly two types of products in integrated circuit and semi-conductor parts: caliper and microcontroller unit ("MCU"), each of the products has approximately 10 different models. For the year ended 31 December 2023, the total product mix between caliper and MCU remained relatively stable, approximately 22% (2022: 22%) of the revenue was generated from the caliper and MCU respectively.

For the year ended 31 December 2023, the operation of this segment recorded (i) a revenue of approximately HK\$25.2 million (2022: approximately HK\$34.5 million); and (ii) a loss of approximately HK\$0.6 million (2022: recorded a profit of approximately HK\$2 million). The Management noticed that competition in the IC market was becoming more intensive as a result of rapid technological advancement, increasing production costs and evolving customers' demands and favors, which exerted further pressure on profit margins. The Group has therefore contemplated to exploit more resources to the yacht businesses and other newly developed businesses with higher profit margins.

Executive jet management

Services provided by this business mainly include executive jet management, aircraft sales service and pilot training service. The main revenue comprised of aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee. The Management adopted a customer-oriented strategy and focused on improving the service quality, as well as expanding the service categories, with an aim to build up competitive advantages to tackle with external competitions.

During the year ended 31 December 2023, the commercial airline industry experienced a revival due to the release of travel restrictions, allowing and capable for increased passenger demand. On the other side, the executive jet industry encountered ongoing challenges arising from the prolonged COVID-19 pandemic. Following the COVID-19 pandemic, businesses as well as individuals who previously utilized executive jets began to return to commercial airlines as health and safety concerns diminished. They may further opt for virtual meetings and remote work arrangement. The changing preferences in travel behavior reduced the demand for executive jet services. As a results, nil revenue and segment loss of approximately HK\$5.4 million were recorded for the year ended 31 December 2023 while a revenue of approximately HK\$26.8 million and segment loss of approximately HK\$0.1 million were recorded for the year ended 31 December 2022.

The Group will adopt prudent approach in assessing the development in executive jet management and seek potential opportunities within the industry. While pursuing opportunities, the Group will also exercise cautious approach in allocating its limited resources. It will prioritise its core businesses that have higher profit margins and to generate better results to the shareholders of the Company.

Yacht businesses

The Group commenced to look for business opportunities in the yacht businesses since 2019 by entering into a non-exclusive agency agreement with an independent third party to sell 46-meter mega yachts and 110-feet catamaran yachts. In late 2020, the Group noticed excellent growth potential in the yacht industry, especially under the consideration that (i) the yacht consumption or investment was getting more recognition among the affluent class; (ii) construction of the relevant facilities, such as yacht harbor and yacht club, had made yacht consumption more feasible and appealing; and (iii) customers had preference to well-branded yachts with world-wide presence, which offered more opportunities to the Group. As such, the Management was in the view that it would be beneficial for the Group to deploy additional resources to expand the yacht businesses.

The Group made a strategic move in 2021 by establishing a production facility in Hainan, the PRC, where labour and material costs were relatively low. It provides the Group with flexibility in cost control and allows the Group to benefit from a much more competitive cost base comparing to other overseas yacht manufacturers. The relatively lower manufacturing costs in the PRC combined with the centuries-old Balk brand and the sophisticated technologies from the Netherlands, the Group will be able to deliver high quality yachts at a competitive price. In the past years, several aggressive expansion strategies were taken by the Group in expansion of the yacht businesses, which included i) further expansion in its shipyard facilities in Hainan of the PRC, ii) establishment of a research and development center in the Netherlands, iii) engaging adept and skillful workforce, iv) building sales teams and/or agencies in major cities around the world, and v) contributing more resources in marketing and promoting the yacht related businesses. These collective strategies enhance the Group's competitive position and allow the Group to deliver wide range of products and services to customers. Along with the strategic potential acquisition of B&W Beleggingen B.V., a company currently holds the lease rights for a building plot in a new harbour MSNF in the Netherlands, the Group, through a combination of strategic investment, branding establishment and technological advancements, is confident in positioning itself as one of the most recognised yacht companies.

During the year ended 31 December 2022, the Group signed a couple of sales agreements with independent third parties to sell, in aggregate, nine 46-meter super yachts. In May 2023, due to its own financial difficulties, one of the customers cancelled its purchase order for five 46-meter super yachts. The purchase deposits of approximately RMB79 million were instead utilized by that customer to purchase a second hand refitted 46-meter super yacht, which was then delivered to the customer during the reporting period. The remaining four super yachts were still under construction and outfitting throughout the year ended 31 December 2023.

As a result, revenue of approximately HK\$88.8 million and segment loss of approximately HK\$7.4 million were recorded for the year ended 31 December 2023, while revenue of approximately HK\$119.8 million and segment profit of approximately HK\$23.4 million were recorded for the year ended 31 December 2022. The loss was mainly due to the provision of impairment for inventories of HK\$15,499,000.

Moving forward, the Group will actively promote its yacht offerings, capitalizing on its reputable brand, highlighting the distinctive features and advantages of its super yachts and expanding its reach to the development of other types of vessels such as megayachts, cruises and cargo vessels in order to generate sales growth in the yacht business segment. In addition, the Management will consistently and closely monitor the performance of the yacht business to formulate feasible and profitable long-term strategies.

Property Investment

The Group possessed a leasehold interest on a land parcel in the Island of Saipan, with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of these properties in the Island of Saipan was approximately 1,953 square meters within six apartment buildings containing an aggregate of 31 apartment units. According to the valuation assessed by an independent professional valuer, the properties in the Island of Saipan had a value of approximately HK\$28.9 million as at 31 December 2023 (2022: approximately HK\$30.3 million). The properties in the Island of Saipan constituted the sole investment of the Group's investment properties.

The economy in the Island of Saipan heavily depends on tourism which was detrimentally hit by the COVID-19 pandemic. The local government has been working on resumption of its tourism industry since last year and it is expected the economy will be recovered gently. Since the local real estate market in the Island of Saipan was recovering from the economy downturn resulting from the COVID-19, the management adopted a passive and prudent investment strategy for this business segment for the reporting year. Nil revenue and segment loss of approximately HK\$1.5 million were recorded for the year ended 31 December 2023, while nil revenue and segment loss were recorded for the year ended 31 December 2022. The Group would consider and explore different options in realising the investment potential of the properties, such as leasing or sales based upon the market situation.

Investment Holding

As at 31 December 2023, the Group had the following investments:

- 23,000,000 unlisted shares of Cornerstone Securities Limited (“**Cornerstone Securities**”), representing approximately 8.81% of the entire issued capital of Cornerstone Securities. Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and is principally engaged in security dealing business in Hong Kong. As at 31 December 2023, the investment in Cornerstone Securities has a fair value of approximately HK\$4.4 million (2022: approximately HK\$3.9 million), representing approximately 1.2% of the total assets of the Company (2022: approximately 0.8%).
- 202 unlisted shares of Red Power Developments Limited (“**Red Power**”), representing 20.2% of the entire issued capital of Red Power, which is a company incorporated in the British Virgin Islands with limited liability. Through its subsidiaries, Red Power is principally engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC. The Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised during the year ended 31 December 2021. For more details, please refer to the announcement of the Company dated 28 November 2022 and annual report 2021 of the Company.

For the year ended 31 December 2023, (i) no acquisition or disposal of the investment in Cornerstone Securities and Red Power was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities and Red Power was received or claimed. The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment as at 31 December 2023.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group achieved a revenue of approximately HK\$114.0 million (2022: approximately HK\$181.1 million). The revenue was principally contributed by the Group's core businesses, i.e. the design and sales of integrated circuits and semi-conductor parts and the manufacturing and sales of yachts and other yacht related businesses.

For the year ended 31 December 2023, 22% (2022: 19.1%) of the consolidated revenue came from the business of the design and sales of integrated circuits and semi-conductor parts and 78% (2022: 66.1%) of the consolidated revenue came from the business of manufacturing and sales of yachts and other yacht related businesses.

Operating expenses

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK\$68.6 million for the year ended 31 December 2023 (2022: approximately HK\$75.3 million). Such decrease was mainly due to substantially less agency fee related to sales of yachts incurred in 2023.

Loss for the year

For the year ended 31 December 2023, loss for the year attributable to owners of the Company was approximately HK\$46.4 million (2022: approximately HK\$2.2 million). Basic loss per share attributable to ordinary equity holders of the Company was approximately HK\$12.54 cents (2022: approximately HK\$0.60 cents).

Liquidity and financial resources

On 22 December 2023, the Group entered into a placing agreement with a placing agent to place up to 74,049,028 new shares under the general mandate. On 17 January 2024, the placing of new shares under general mandate of the Company was completed. An aggregate of 74,049,028 placing shares, representing approximately 16.67% of the issued share capital of the Company as at the date of this announcement have been successfully placed to no less than six places at the placing price of HK\$0.56 per placing share. Please refer to announcements of the Company dated 22 December 2023 and 17 January 2024 for more details. Save for the above, the Group had no fund-raising activities during the year ended 31 December 2023.

As at 31 December 2023, the cash in banks of the Group amounted to approximately HK\$69.1 million (2022: approximately HK\$104.3 million), in which a cash deposit of approximately RMB43.4 million, equivalent to approximately HK\$47.5 million, maintained in one of the bank accounts of the Group was frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023. Such Ruling was against one of the suppliers of the Group, namely Liaoning Jinlong Mega Yacht Manufacturing Co. Limited, for its failure to repay a loan borrowed from a bank in the PRC. For more details, please refer to the announcement of the Company dated 28 April 2023 (2022: nil). As of the date of this announcement, the Group's legal adviser is still dealing with the above-mentioned matters, and there is no new progress for the time being.

The Group had no outstanding loan as at 31 December 2023 (2022: nil).

Gearing ratio

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total equity and liabilities, was nil as at 31 December 2023 (2022: approximately 90%), which was attributed to the Group's net liabilities position. The Group did not have any interest-bearing debt financing during the reporting period.

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi as the Group had operations in the PRC. Certain materials used in the IC and semi-conductor parts and the cost of a yacht were settled in US dollars, which exposed the Group to exchange fluctuations of US\$-RMB. Nevertheless, the Board considered that the Group in general was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

Capital structure

For the year ended 31 December 2023, there was no change to the authorised and issued share capital of the Company. As at 1 January 2023 and 31 December 2023, the Company had issued a total of 370,245,142 shares at the par value of HK\$0.1 each. All shares were fully paid and rank pari passu with each other in all respects.

As at 31 December 2023, the shareholders' deficiency amounted to approximately HK\$3.0 million (2022: the shareholders' fund were approximately HK\$47.2 million).

Pledge of assets

As at 31 December 2023, the Group did not have any pledge of assets (2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

MATERIAL COMMITMENT

As at 31 December 2023, the Group did not have any material commitment (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

Change of auditor

On 29 January 2024, Zenith CPA Limited resigned as the auditor of the Company and Prism Hong Kong and Shanghai Limited was appointed as the auditor of the Company following the resignation of Zenith CPA Limited.

Change of company name

On 11 January 2024, a special resolution approving the proposed change of the company name by the shareholders of the Company was passed at the special general meeting of the Company. The Certificate of Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda certifying that the name of the Company has been changed from “Balk 1798 Group Limited” to “Sky Blue 11 Company Limited” and the secondary name of the Company has been changed from “巴克1798集團有限公司” to “天璽曜11有限公司”, respectively, with effect from 17 January 2024. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 21 February 2024 confirming the registration of the Company’s new English name of “Sky Blue 11 Company Limited” and new Chinese name of “天璽曜11有限公司” in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) with effect from that date.

Following the change of company name, the stock short name of the Company for trading in the shares of the Company on the Stock Exchange will be changed from “BALK 1798 GP” to “SKY BLUE 11” in English and from 「巴克1798集團」 to 「天璽曜11」 in Chinese simultaneously with effect from 5 April 2024. For more details, please refer to the announcements of the Company dated 1 November 2023, 11 January 2024 and 27 March 2024 and the circular of the Company dated 21 December 2023.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2023 (2022: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 42 employees (2022: 140 employees). For the year ended 31 December 2023, total employee benefits expenses, including directors' emoluments, amounted to approximately HK\$30.3 million (2022: approximately HK\$32.8 million). The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: nil).

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2023, the Company has complied with the principles as set out in the Corporate Governance Code (version up to 31 December 2023) ("**CG Code**") contained in Appendix C1 to the Listing Rules and complied with the code provisions contained therein except for the following deviation:

The CG Code stipulates the non-executive director should be appointed for a specific term and subject to re-election. The independent non-executive Directors were not appointed for specific terms. They are subject to retirement by rotation at least once every three years and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. At every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the nearest but no less than one-third shall retire from office by rotation. Every director should be subject to retirement by rotation at least once every three years.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest development.

CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 January 2023 to the date of this announcement is set out below:

- (i) Mr. Wang Yi resigned as an executive Director with effect from 6 April 2023; and
- (ii) Dr. Zhang Yu was appointed as an executive Director on 6 April 2023.

CHANGE OF COMPANY NAME

With reference to the announcements of the Company dated 20 April 2022, 6 June 2022 and 9 January 2023 and the circular of the Company dated 4 May 2022, the name of the Company has been changed from “PacRay International Holdings Limited” to “Balk 1798 Group Limited” and the secondary name of the Company has been changed from 「太睿國際控股有限公司」 to 「巴克1798集團有限公司」 with effect from 8 June 2022. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 23 August 2022 confirming the registration of the Company’s new English name of “Balk 1798 Group Limited” and new Chinese name of 「巴克1798集團有限公司」 in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) with effect from that date.

Following the change of company name, the stock short name of the Company for trading in the shares on the Stock Exchange was changed from “PACRAY INT’L” to “BALK 1798 GP” in English and from 「太睿國際控股」 to 「巴克1798集團」 in Chinese simultaneously with effect from 9:00 a.m. on 13 January 2023. The stock code of the Company on the Stock Exchange remains unchanged as “1010”.

CHANGE OF ADDRESS OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 1 June 2023, the address of the principal place of business in Hong Kong of the Company has been changed to Suite 6504, 65/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

ADOPTION OF THE AMENDED AND RESTATED BYE-LAWS OF THE COMPANY

By passing a special resolution at the annual general meeting of the Company held on 6 June 2023, the Company adopted the amended and restated Bye-laws of the Company. An up-to-date version of the Company's Bye-laws are available on the websites of the Company and the Stock Exchange.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 22 December 2023, the Company entered into a placing agreement with a placing agent to place up to 74,049,028 new shares under the general mandate. On 17 January 2024, the placing of new shares under general mandate of the Company was completed. An aggregate of 74,049,028 placing shares, representing approximately 16.67% of the issued share capital of the Company as at the date of this announcement have been successfully placed to no less than six places at the placing price of HK\$0.56 per placing share. Please refer to announcements of the Company dated 22 December 2023 and 17 January 2024 for more details.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, none of the directors' and chief executives has the interests or short positions of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the interest and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, were set out below:

Name of substantial shareholders	Capacity/nature	Number of shares/ underlying shares held/interested in	Long/short position	Percentage of shareholding <i>(Note 1)</i>
Duan Hongtao <i>(Note 2 and Note 3)</i>	Interested in controlled corporation(s)	56,867,012	Long	15.36%
Zhongying Int'l Holding Group Limited <i>(Note 2)</i>	Beneficial Owner	56,867,012	Long	15.36%
Arrab Chalid	Interested in controlled corporation(s)	68,500,000	Long	18.50%
LLOYDS INVESTMENT GROUP FZCO <i>(Note 4)</i>	Beneficial Owner	68,500,000	Long	18.50%

- Based on 370,245,142 ordinary shares of the Company in issue as at 31 December 2023.
- As at 31 December 2023, Mr. Duan Hongtao owned 99% of the issued shares of Zhongying International Holdings Limited which beneficially owned 56,867,012 shares of the Company.
- Mr. Duan Hongtao resigned as an executive director and Chairman of the Company with effect from 14 February 2022.
- On 15 September 2022, Zhongying Int'l Holding Group Limited transferred a total of 68,500,000 shares of the Company to LLOYDS INVESTMENT GROUP FZCO.

As at 31 December 2023 and save as disclosed, there was no interest and short position in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Group's listed securities for the year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company comprises solely independent non-executive Directors, namely Ms. Ching Ching (chairman), Dr. Song Donglin and Dr. Zhang Shengdong. The Group's annual results for the year ended 31 December 2023 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Prism Hong Kong and Shanghai Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2023. The work performed by Prism Hong Kong and Shanghai Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Prism Hong Kong and Shanghai Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2023. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to the Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the group recorded a loss of approximately HK\$46,447,000 for the year ended 31 December 2023, and, as of that date, the Group’s net current liabilities and net liabilities amounted to approximately HK\$42,462,000 and HK\$2,979,000 respectively. This condition, along with other matters as set forth in Note 2 to the consolidated financial statements, indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

The aforesaid “note 2 to the consolidated financial statements” in the extract from the independent auditor’s report is disclosed as note 2 to the consolidated financial statements in this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://pacray.com.hk>. The 2023 annual report will be despatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting, together with a circular therefor, will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers and auditors for their continuous support to the Group.

By Order of the Board
Sky Blue 11 Company Limited
Li Weina
Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the Board of the Company comprises six Directors. The executive Directors are Ms. Li Weina, Mr. Zhang Fumin and Dr. Zhang Yu; and the independent non-executive Directors are Ms. Ching Ching, Dr. Song Donglin and Dr. Zhang Shengdong.