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# BALK 1798

## Balk 1798 Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Balk 1798 Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively referred hereinafter as the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in the previous year as follows. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	101,689	43,598
Cost of sales		(65,961)	(24,150)
<b>Gross profit</b>		<b>35,728</b>	19,448
Other income and gains, net	4	263	1,530
Selling and distribution costs		(5,555)	(375)
General and administrative expenses		(26,941)	(31,336)
Finance costs	5	(48)	(4,721)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>3,447</b>	(15,454)
Income tax expense	7	(4,373)	–
<b>LOSS FOR THE PERIOD</b>		<b>(926)</b>	(15,454)
<b>Attributable to:</b>			
Owners of the Company		(926)	(15,454)
		<b>HK cents</b>	<b>HK cents</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
– Basic and diluted	8	(0.25)	(4.17)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<u>(926)</u>	<u>(15,454)</u>
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(8,626)</u>	<u>(6,426)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<u>(8,626)</u>	<u>(6,426)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><u>(9,552)</u></u>	<u><u>(21,880)</u></u>
<b>Attributable to:</b>		
Owners of the Company	<u><u>(9,552)</u></u>	<u><u>(21,880)</u></u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,090	2,460
Investment properties		30,328	30,328
Right-of-use assets		5,927	1,266
Equity investments designated at fair value through other comprehensive income		3,900	3,900
Deferred tax assets		586	613
Long-term deposits	11	191	228
		<u>43,022</u>	<u>38,795</u>
<b>CURRENT ASSETS</b>			
Inventories		166,800	174,013
Trade and bills receivables	10	90,668	141,469
Prepayments, other receivables and other assets	11	6,762	3,128
Financial assets at fair value through profit or loss		67	67
Tax recoverable		150	157
Cash in banks	12	105,240	104,326
		<u>369,687</u>	<u>423,160</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	115,458	66,398
Other payables and accruals	14	23,121	107,710
Lease liabilities		2,587	764
Amount due to a shareholder		219,581	232,644
Tax payable		10,633	6,393
		<u>371,380</u>	<u>413,909</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<u>(1,693)</u>	<u>9,251</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>41,329</u>	<u>48,046</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		3,716	881
<b>NET ASSETS</b>		<u>37,613</u>	<u>47,165</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	37,025	37,025
Other reserves		97,926	106,552
Accumulated losses		(97,338)	(96,412)
<b>Total equity</b>		<u>37,613</u>	<u>47,165</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 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. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the period, 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.

In the opinion of the Directors, the holding company and ultimate holding company of the Company is Zhongying Int'l Holding Group Limited, which was incorporated in Hong Kong.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The basis of preparation and accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

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>
HKFRS 17	<i>Insurance Contracts</i>
Initial Application of HKFRS 17 and HKFRS 9	<i>Comparative Information</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>

The adoption of the above revised standards has had no significant financial effect on the Group's unaudited condensed interim financial information.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective in this unaudited condensed consolidated interim financial statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

### 3. 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 ("**Design and sales of integrated circuits**");
- (ii) executive jet management services ("**Executive jet management**");
- (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.

	Design and sales of integrated circuits (Unaudited) <i>HK\$'000</i>	Executive jet management (Unaudited) <i>HK\$'000</i>	Yacht businesses (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Headquarter and others (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>For the six months ended</b>						
<b>30 June 2023</b>						
Revenue from external customers	<u>12,917</u>	<u>-</u>	<u>88,772</u>	<u>-</u>	<u>-</u>	<u>101,689</u>
Operating (loss)/profit	<u>(1,022)</u>	<u>(57)</u>	<u>12,743</u>	<u>-</u>	<u>(8,254)</u>	<u>3,410</u>
Interest income	<u>17</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>19</u>	<u>37</u>
(Loss)/profit before income tax	<u>(1,005)</u>	<u>(57)</u>	<u>12,744</u>	<u>-</u>	<u>(8,235)</u>	<u>3,447</u>
Income tax credit/(expense)	<u>69</u>	<u>-</u>	<u>(4,442)</u>	<u>-</u>	<u>-</u>	<u>(4,373)</u>
(Loss)/profit for the period	<u>(936)</u>	<u>(57)</u>	<u>8,302</u>	<u>-</u>	<u>(8,235)</u>	<u>(926)</u>
<b>Other segment information:</b>						
Depreciation of property, plant and equipment	<u>138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121</u>	<u>259</u>
Depreciation of right-of-use assets	<u>383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383</u>
<b>As at 30 June 2023</b>						
Segment assets	<u>33,151</u>	<u>16,112</u>	<u>289,799</u>	<u>30,328</u>	<u>43,319</u>	<u>412,709</u>
Segment liabilities	<u>4,037</u>	<u>12,751</u>	<u>129,768</u>	<u>-</u>	<u>228,540</u>	<u>375,096</u>

	Design and sales of integrated circuits (Unaudited) <i>HK\$'000</i>	Executive jet management (Unaudited) <i>HK\$'000</i>	Yacht businesses (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Headquarter and others (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>For the six months ended</b>						
<b>30 June 2022</b>						
Revenue from external customers	<u>22,681</u>	<u>20,917</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>43,598</u>
Operating profit/(loss)	2,740	838	(5,953)	–	(13,190)	(15,565)
Interest income	<u>88</u>	<u>–</u>	<u>21</u>	<u>–</u>	<u>2</u>	<u>111</u>
Profit/(loss) before income tax	2,828	838	(5,932)	–	(13,188)	(15,454)
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(loss) for the period	<u>2,828</u>	<u>838</u>	<u>(5,932)</u>	<u>–</u>	<u>(13,188)</u>	<u>(15,454)</u>
<b>Other segment information:</b>						
Depreciation of property, plant and equipment	(403)	–	–	–	(242)	(645)
Depreciation of right-of-use assets	<u>(475)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(475)</u>
<b>As at 31 December 2022</b>						
Segment assets (Audited)	<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 (Audited)	<u>7,760</u>	<u>19,693</u>	<u>145,243</u>	<u>–</u>	<u>242,094</u>	<u>414,790</u>

#### 4. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	37	111
Sundry income	226	148
Management fee income	–	1,135
Government subsidies	–	136
	<u>263</u>	<u>1,530</u>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	48	63
Interest on loans from a shareholder	–	4,658
	<u>48</u>	<u>4,721</u>



## 6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	65,961	6,911
Depreciation of property, plant and equipment	259	645
Depreciation of right-of-use assets	383	475
Employee benefits expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	16,429	13,895
Pension scheme contributions	880	1,798
	17,309	15,693
Interest income	(37)	(111)
Impairment losses of finance lease receivable <sup>#</sup>	–	2,431
Impairment losses of trade and bills receivables <sup>#</sup>	–	670
Impairment losses of financial assets included in prepayments, other receivables and other assets <sup>#</sup>	–	1,161
	<u>–</u>	<u>1,161</u>

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

<sup>#</sup> Included in "General and administrative expenses" in the condensed consolidated interim statement of profit or loss.

## 7. INCOME TAX EXPENSE

The Company 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 period. Taxes on assessable profits for the subsidiaries in the People's Republic of China (the "PRC") are provided at the Enterprise Income Tax rate of 25%.

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – Hong Kong	4,442	–
Overprovision in prior year – the PRC	<u>(69)</u>	<u>–</u>
Total tax expense for the period	<u><b>4,373</b></u>	<u><b>–</b></u>

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	<u>(926)</u>	<u>(15,454)</u>

	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u>370,425</u>	<u>370,425</u>
	<b>HK cents</b>	<b>HK cents</b>
Basic and diluted loss per share	<u><b>(0.25)</b></u>	<u><b>(4.17)</b></u>

The Company has not issued any potentially dilutive ordinary shares during the periods ended 30 June 2023 and 2022.

## 9. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade receivables	88,973	140,152
Loss allowance	<u>(60)</u>	<u>(60)</u>
	<b>88,913</b>	140,092
Bills receivables	<u>1,755</u>	<u>1,377</u>
Trade and bills receivables	<u><b>90,668</b></u>	<u><b>141,469</b></u>

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

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Within 1 month	189	102
More than 1 month but less than 3 months	33	119
More than 3 months	<u>88,691</u>	<u>139,871</u>
	<u><b>88,913</b></u>	<u><b>140,092</b></u>

## 11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Deposits and other receivables	4,619	2,551
Prepayments	3,776	2,247
Loss allowance	<u>(1,442)</u>	<u>(1,442)</u>
	<b>6,953</b>	3,356
Less: non-current portion	<u>191</u>	<u>228</u>
Current portion	<u><b>6,762</b></u>	<u>3,128</u>

## 12. CASH IN BANKS

As at 30 June 2023, the cash in banks of the Group's subsidiary in the PRC denominated in Renminbi ("RMB") amounted to HK\$67,076,000 (31 December 2022: HK\$74,698,000), in which a cash deposit of approximately RMB43,393,000, equivalent to approximately HK\$46,795,000, 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.

## 13. TRADE PAYABLES

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

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
More than 3 months	<u><b>115,458</b></u>	<u>66,398</u>

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

#### 14. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Accruals	5,072	9,938
Contract liabilities ( <i>note (a)</i> )	–	92,028
Other payables ( <i>note (b)</i> )	<u>18,049</u>	<u>5,744</u>
	<b><u>23,121</u></b>	<b><u>107,710</u></b>

*Notes:*

(a) Details of contract liabilities are as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
<i>Short-term advances received from customers</i>		
Sales of yachts	–	89,120
Sales of integrated circuits	<u>–</u>	<u>2,908</u>
	<b><u>–</u></b>	<b><u>92,028</u></b>

Contract liabilities include short-term advances received from yacht businesses and design and sales of integrated circuits.

(b) Other payables are unsecured, interest-free and have an average term of one month.

## 15. SHARE CAPITAL

	Number of shares '000	Share Capital HK\$'000
<b>Authorised:</b>		
At 1 January 2022, 31 December 2022 (Audited) and 30 June 2023 (Unaudited) (Ordinary share HK\$0.1 each)	<u>1,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2022, 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	<u>370,245</u>	<u>37,025</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the six months ended 30 June 2023, the Group principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management services; and (iii) manufacturing and sales of yachts and other yachts related businesses.

In response to the complex and unpredictable business environment in the first half of 2023, the Group demonstrated a proactive approach by closely monitoring its business portfolio and implementing various decisive measures to reform. 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. These strategic measures successfully lead the Group to mitigate the external challenges and uncertainties arising from the prolonged COVID-19 pandemic and subsequent post COVID-19 era and enable the Group to position itself to adapt to the ever-changing market dynamics. As a result, the Group achieved a revenue of approximately HK\$101.7 million for the six months ended 30 June 2023, representing an increase of 133% while compared to the revenue of approximately HK\$43.6 million for the six months ended 30 June 2022.

This revenue growth reaffirms the effectiveness of the Group's reform and proactive measures on its business portfolio which took place in the past years. The management of the Group (the "**Management**") maintains a positive outlook and is confident in the Group's resilience and ability to overcome future challenges and leverage its strengths to continue its growth in the future. Nevertheless, the Management will consistently reinforce the Group's competitive advantages, strengthen its market position and drive growth across the existing businesses of the Group. Such measures include but not limited to cost controls on the business of integrated circuits and semi-conductor parts, platform building on the business of executive jet management services and active marketing and branding in the yacht businesses.

The Management would like to emphasise that the processing of reforming the Group's business portfolio is a continuous and on-going process. New measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the then opportunities. Should there be any update, the Company will inform its shareholders as soon as appropriate.

## SEGMENT REVIEW

### **Design and sales of integrated circuit and semi-conductor parts**

For the six months ended 30 June 2023, design and distribution of integrated circuit and semi-conductor parts in the PRC, Hong Kong and Taiwan remained as one of the important part of the 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 is not involved 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 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 Group then sells the products to customers, which are usually end-product manufacturers/producers.

For the six months ended 30 June 2023, the operation of this segment recorded a revenue of approximately HK\$12.9 million and a segment loss of approximately HK\$1.0 million while a revenue of approximately HK\$22.7 million and a segment profit of approximately HK\$2.7 million were recorded for the six months ended 30 June 2022.

The Management observed a growing intensity of competition in the IC market, the swift advance in technology, rising production costs and the evolving customer preferences and demands collectively exert pressure on profit margins. In addition, potential impacts of trade friction between the United States or other countries/regions and the PRC may further deteriorate the operating environment for the Group in the IC market. Increased tariffs, limitation and restrictions on export and investments and other uncertainties would affect the market demand, supply chains and overall business operations.

The Management will closely monitor the overall business performance and external factors to the industry. In order to address the potential uncertainties, the Group will contemplate to explore into some newly developed businesses which aims to optimise the Group’s operations and capitalise on emerging opportunities.



## **Executive jet management**

Services provided by this business mainly include executive jet management service, aircraft sales service and pilot training service. 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.

In the first half of 2023, the aviation industry continued to navigate the recovery process from the impacts of the prolonged COVID-19 pandemic. However, it may take a longer time than initially anticipated for the recovery of the private and business jet sector which has been surrounding by the uncertainties on the overall economic conditions and the shifting on corporate and individual travel patterns. As a result, nil revenue and a segment loss of approximately HK\$0.06 million were recorded for the six months ended 30 June 2023 while a revenue of approximately HK\$20.9 million and a segment profit of approximately HK\$0.8 million were recorded for the six months ended 30 June 2022.

Despite the negative factors and challenges impacting the Group's business development in the first half of 2023, the Group remains optimistic on the recovery in aviation industry. The Group will seek for potential opportunities within the industry and expanding its client base by targeting new customers and markets. 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 super yachts and 110-feet catamarans. 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. The Group foresees the Chinese yacht market will outpace the global market in the long-term.

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 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 before 30 June 2023. The remaining four super yachts were still under construction and outfitting throughout the six months ended 30 June 2023.

As a result, revenue of approximately HK\$88.8 million and segment profit of approximately HK\$12.7 million were recorded for the six months ended 30 June 2023, while nil revenue and segment loss of approximately HK\$6.0 million were recorded for the six months ended 30 June 2022.

The growth in revenue of yacht businesses has instilled great confidence to the Management. Moving forward, the Group will actively promote its yacht offerings, leveraging on the reputable brand and highlighting the unique features and advantages of its super yachts 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.

The economy in the Island of Saipan depends heavily on tourism which was detrimentally hit by the COVID-19 pandemic. The local government has been working on resumption of its tourism industry since 2021 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 pandemic, the Management adopted a passive and prudent investment strategy for this business segment for the reporting year. Nil revenue was recorded for each of the six months ended 30 June 2023 and 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

For the six months ended 30 June 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 30 June 2023, the investment in Cornerstone Securities has a fair value of approximately HK\$3.9 million (31 December 2022: approximately HK\$3.9 million), representing approximately 0.9% of the total assets of the Company (31 December 2022: 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 six months ended 30 June 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 30 June 2023.

## **BUSINESS OUTLOOK**

For the six months ended 30 June 2023, the reform of the business portfolio and strategic approaches implemented by the Management have empowered the Group to effectively mitigate the external challenges and uncertainties arising from the prolonged COVID-19 pandemic and subsequent post COVID-19 era. These initiatives enabled the Group to position itself to adapt to the ever-changing market dynamics and seize opportunities for growth.

Looking forward, the Management remains committed to continuing with the reform and strategic approaches, particularly, to explore business opportunities in different segments so as to diversify the businesses of the Group.

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 will allow the Group to deploy its resources into businesses with promising future, and will therefore enhance its revenue base and create long-term profitability.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2023, the Group achieved a revenue of approximately HK\$101.7 million (six months ended 30 June 2022: approximately HK\$43.6 million). The revenue was principally contributed by the Group's core businesses which were design and sales of integrated circuit and semiconductor parts business operations and yacht businesses.

### Operating expenses

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK\$32.5 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$31.7 million). Such increase was mainly attributed to a rise in selling, distribution and marketing expenses, along with operating and administrative costs at the production facility in Hainan as a result of the expansion of the yacht businesses.

### Loss for the period

For the six months ended 30 June 2023, loss for the period attributable to owners of the Company was approximately HK\$0.9 million (six months ended 30 June 2022: approximately HK\$15.5 million). The decrease in loss was mainly attributable to the increase in the revenue of the yacht businesses. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK\$0.25 cents (six months ended 30 June 2022: approximately HK\$4.17 cents).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the cash in banks of the Group amounted to approximately HK\$105.2 million (31 December 2022: approximately HK\$104.3 million), in which a cash deposit of approximately RMB43.4 million, equivalent to approximately HK\$46.8 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 (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 matters, and there is no new progress for the time being.

The Group had no outstanding loan as at 30 June 2023 (31 December 2022: nil).

## **GEARING RATIO**

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 90.9% as at 30 June 2023 (31 December 2022: approximately 89.8%). The Group did not have any interest-bearing debt financing during the period.

## **FOREIGN CURRENCY EXPOSURE**

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

## **CAPITAL STRUCTURE**

For the six months ended 30 June 2023, there was no change to the authorised and issued share capital of the Company. As at 1 January 2023 and 30 June 2023, the Company had issued a total of 370,245,142 shares in 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 30 June 2023, the shareholders' fund amounted to approximately HK\$37.6 million (31 December 2022: approximately HK\$47.2 million).

## **PLEDGE OF ASSETS**

As at 30 June 2023, the Group did not have any pledge of assets (31 December 2022: nil).

## **TRANSACTIONS AFTER THE REPORTING PERIOD**

Save as disclosed, there was no other significant event after the reporting period and up to the date of this announcement.

## **NO OTHER MATERIAL CHANGE**

Save as disclosed, there was no material change in the Group's financial position or business since the publication of the latest annual results of the Company for the year ended 31 December 2022.

## **CONTINGENT LIABILITIES**

No material contingent liabilities of the Group were noted as at 30 June 2023 (31 December 2022: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had 94 employees (31 December 2022: 140 employees). For the six months ended 30 June 2023, total employee benefits expenses, including Directors' emoluments, amounted to approximately HK\$17.3 million (six months ended 30 June 2022: HK\$15.7 million). The remuneration packages of employees were reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages included basic salaries, bonus, contributions to provident fund and medical benefits.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## **CORPORATE GOVERNANCE PRACTICES**

Throughout the six months ended 30 June 2023, the Company has complied with the principles as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 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 COMPANY NAME AND STOCK SHORT NAME**

Subsequent to the passing of a special resolution approving the proposed change of the company name by the shareholders of the Company at the annual general meeting held on 6 June 2022, 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 “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」, respectively, 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 of the Company on the Stock Exchange has been 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 13 January 2023. For more details, please refer to the announcement of the Company dated 9 January 2023.



## **CHANGE OF DIRECTORS**

From 1 January 2023 to the date of this announcement: -

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

## **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.

## **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 10 to the Listing Rules to regulate the Directors' securities transaction. Specific enquiries had been made to all the Directors and the Directors had confirmed that they had complied with the Model Code for the six months ended 30 June 2023.

## **DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS**

As at 30 June 2023, none of the directors’ and chief executives has any 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 30 June 2023, the interests 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 as set out below:

<b>Name of Substantial Shareholders</b>	<b>Capacity/nature</b>	<b>Number of shares/ underlying shares held/interested in</b>	<b>Long/short position</b>	<b>Percentage of shareholding (Note 1)</b>
Mr. Duan Hongtao (Note 2)	Interested in controlled corporation(s)	209,183,012	Long	56.5%
Zhongying Int’l Holding Group Limited (Note 2)	Beneficial Owner	209,183,012	Long	56.5%
Ever Digital Limited (Note 2)	Beneficial Owner	33,658,000	Long	9.09%
Arrab Chalid	Interested in controlled corporation(s)	68,500,000	Long	18.50%
LLOYDS INVESTMENT GROUP FZCO (Note 3)	Beneficial Owner	68,500,000	Long	18.50%

*Notes:*

1. Based on 370,245,142 ordinary shares of the Company in issue as at 30 June 2023.
2. As at 30 June 2023, Mr. Duan Hongtao owned 99% of the issued shares of Zhongying Int'l Holding Group Limited which beneficially owned 175,525,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan Hongtao was deemed to be interested in a total of 209,183,012 shares of the Company.
3. 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 30 June 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2023.

## **AUDIT COMMITTEE**

The Audit Committee comprised solely independent non-executive Directors, namely Ms. Ching Ching (chairman), Dr. Song Donglin and Dr. Zhang Shengdong. The Group's interim results for the six months ended 30 June 2023 had been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://pacray.com.hk>. The 2023 interim report will be dispatched to the shareholders of the Company and will be available on above websites 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  
**Balk 1798 Group Limited**  
**Li Weina**  
*Executive Director*

Hong Kong, 30 August 2023

*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.*