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# BALK 1798

## Balk 1798 Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Balk 1798 Group 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 2022, together with the comparative figures for the year ended 31 December 2021.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>	5	<b>181,076</b>	105,619
Cost of sales		<u>(96,481)</u>	<u>(69,955)</u>
<b>Gross profit</b>		<b>84,595</b>	35,664
Other income and gains, net	6	927	10,941
Selling and distribution costs		(27,693)	(10,244)
General and administrative expenses		(47,588)	(49,114)
Impairment of investment in an associate		–	(20,315)
Finance costs	7	(4,763)	(3,919)
Impairment of financial assets		(2,072)	(7,757)
Share of losses and profits of an associate		–	(7,806)
<b>PROFIT/(LOSS) BEFORE TAX</b>	8	<b>3,406</b>	(52,550)
Income tax expense	9	<u>(5,642)</u>	<u>(290)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(2,236)</b></u>	<u>(52,840)</u>
<b>Attributable to:</b>			
Owners of the Company		<u><b>(2,236)</b></u>	<u>(52,840)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	11	<u><b>HK(0.60) cents</b></u>	<u>HK(14.26) cents</u>
– Basic and diluted			

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b><u>(2,236)</u></b>	<b><u>(52,840)</u></b>
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(12,972)	2,987
Share of other comprehensive income of an associate	–	177
Disposal of subsidiaries	<u>–</u>	<u>(683)</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(12,972)	2,481
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designed at fair value through other comprehensive income:		
Changes in fair value	<u>(4,520)</u>	<u>(3,901)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b><u>(17,492)</u></b>	<b><u>(1,420)</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(19,728)</u></b>	<b><u>(54,260)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b><u>(19,728)</u></b>	<b><u>(54,260)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,460	3,672
Investment properties		30,328	30,328
Right-of-use assets		1,266	64
Investment in an associate		–	–
Equity investments designated at fair value through other comprehensive income		3,900	8,420
Deferred tax assets		613	670
Long-term deposits		228	–
		<hr/>	<hr/>
Total non-current assets		<b>38,795</b>	43,154
<b>CURRENT ASSETS</b>			
Finance lease receivable		–	2,431
Inventories		174,013	1,346
Trade and bills receivables	12	141,469	34,054
Prepayments, other receivables and other assets	13	3,128	127,649
Loans receivables		–	–
Financial assets at fair value through profit or loss		67	67
Tax recoverables		157	171
Cash and cash equivalents		104,326	86,172
		<hr/>	<hr/>
Total current assets		<b>423,160</b>	251,890
<b>CURRENT LIABILITIES</b>			
Trade payables	14	66,398	19,819
Other payables and accruals	15	107,710	15,868
Lease liabilities		764	70
Loans from a shareholder		–	194,333
Amount due to a shareholder		232,644	–
Tax payable		6,393	2,404
		<hr/>	<hr/>
Total current liabilities		<b>413,909</b>	232,494
<b>NET CURRENT ASSETS</b>		<hr/> <b>9,251</b>	<hr/> 19,396
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>48,046</b>	<hr/> 62,550
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		881	–
		<hr/>	<hr/>
<b>NET ASSETS</b>		<hr/> <b>47,165</b>	<hr/> 62,550
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		37,025	37,025
Other reserves		106,552	119,701
Accumulated losses		(96,412)	(94,176)
		<hr/>	<hr/>
<b>Total equity</b>		<hr/> <b>47,165</b>	<hr/> 62,550

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 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 28/F, Agricultural Bank of China Tower, 50 Connaught Road Central, 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 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.

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

Pursuant to a special resolution passed at the annual general meeting of the Company held on 6 June 2022, the shareholders of the Company approved to change the name of the Company from "PacRay International Holdings Limited" to "Balk 1798 Group Limited" and the secondary name of the Company from 「太睿國際控股有限公司」 to 「巴克1798集團有限公司」。 The change of the Company's name became effective on 8 June 2022.

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value. These financial statements presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand ("**HK\$'000**") except which otherwise indicated.

### 3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial year.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

### 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.

#### 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>
<b>Year ended 31 December 2022</b>						
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>
<b>Other segment information:</b>						
Depreciation of property, plant and equipment	(534)	-	-	-	(489)	(1,023)
Depreciation of right-of-use assets	(703)	-	-	-	-	(703)
Reversal of provision 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>

#### 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>
<b>Year ended 31 December 2021</b>						
Revenue from external customers	<u>39,538</u>	<u>63,805</u>	<u>1,929</u>	<u>–</u>	<u>347</u>	<u>105,619</u>
Operating profit/(loss)	5,344	798	(16,876)	–	(41,999)	(52,733)
Interest income	<u>167</u>	<u>–</u>	<u>16</u>	<u>–</u>	<u>–</u>	<u>183</u>
Profit/(loss) before income tax	<u>5,511</u>	<u>798</u>	<u>(16,860)</u>	<u>–</u>	<u>(41,999)</u>	<u>(52,550)</u>
<b>Other segment information:</b>						
Depreciation of property, plant and equipment	(592)	–	–	–	(335)	(927)
Depreciation of right-of-use assets	(739)	–	–	–	(4,280)	(5,019)
Gain on disposal of subsidiaries	–	–	–	–	5,595	5,595
Share of loss of an associate	–	–	–	–	(7,806)	(7,806)
Impairment of investment in an associate	–	–	–	–	(20,315)	(20,315)
Reversal of provision for inventories	142	–	–	–	–	142
Impairment of financial assets	–	(718)	–	–	(7,039)	(7,757)
Fair value losses on financial assets at fair value through profit or loss	(83)	–	–	–	–	(83)
Finance costs	<u>(22)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,897)</u>	<u>(3,919)</u>
Capital expenditure*	<u>308</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,492</u>	<u>1,800</u>
Segment assets	<u>39,201</u>	<u>32,186</u>	<u>125,894</u>	<u>30,328</u>	<u>67,435</u>	<u>295,044</u>
Segment liabilities	<u>9,024</u>	<u>22,374</u>	<u>1,078</u>	<u>–</u>	<u>200,018</u>	<u>232,494</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	146,549	65,734
The People's Republic of China (the "PRC")	<u>34,527</u>	<u>39,885</u>
	<u><b>181,076</b></u>	<u><b>105,619</b></u>

The revenue information above is based on the locations of the customers.

###### (b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	1,103	1,586
The PRC	2,851	2,150
The Island of Saipan	<u>30,328</u>	<u>30,328</u>
	<u><b>34,282</b></u>	<u><b>34,064</b></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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue</b>		
Sales of integrated circuits	34,527	39,538
Sales of yacht	118,381	–
Executive jet management services	26,782	63,805
Super yacht management services	1,386	1,929
	<u>181,076</u>	<u>105,272</u>
<b>Revenue from other sources</b>		
Finance lease services	–	347
	<u>181,076</u>	<u>105,619</u>

## 6 OTHER INCOME AND GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	202	183
Management fee income	–	5,050
Government subsidies	383	–
Research and development income	175	–
Gain on disposal of subsidiaries	–	5,595
Fair value losses of financial assets at fair value through profit or loss	–	(83)
Loss on disposal of property, plant and equipment	(57)	–
Sundry income	224	196
	<u>927</u>	<u>10,941</u>

## 7 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	105	62
Interest on loans from a shareholder	<u>4,658</u>	<u>3,857</u>
	<u><u>4,763</u></u>	<u><u>3,919</u></u>

## 8 PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	71,555	14,635
Depreciation of property, plant and equipment	1,023	927
Depreciation of right-of-use assets	703	5,019
Auditor's remuneration	1,150	1,060
Directors' remuneration	1,997	1,932
Employee benefits expenses (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	28,233	29,530
Pension scheme contributions	2,584	2,309
	30,817	31,839
Foreign exchange difference, net	123	27
Reversal of provision for inventories*	(778)	(142)
Impairment of finance lease receivables <sup>#</sup>	1,947	1,057
Impairment of trade and bills receivables <sup>#</sup>	60	100
Impairment of loans receivables <sup>#</sup>	–	6,582
Impairment of other receivables <sup>#</sup>	<u>65</u>	<u>18</u>

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

<sup>#</sup> 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 million estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK\$2 million during the year. Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25%.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current — Hong Kong	5,642	73
— the PRC	<u>—</u>	<u>217</u>
Total tax charge for the year	<u><u>5,642</u></u>	<u><u>290</u></u>

## 10 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2022 nor has any dividend been proposed since the end of the reporting period (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share	<u><u>(2,236)</u></u>	<u><u>(52,840)</u></u>

  

	Number of shares	
	2022 <i>'000</i>	2021 <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><u>370,425</u></u>	<u><u>370,425</u></u>

The Group has not issued any potentially dilutive ordinary shares during the year ended 31 December 2022 and 2021.

## 12 TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	140,152	32,356
Loss allowance	<u>(60)</u>	<u>(412)</u>
	140,092	31,944
Bills receivables	<u>1,377</u>	<u>2,110</u>
Trade and bills receivables	<u><b>141,469</b></u>	<u><b>34,054</b></u>

An 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	102	5,544
More than 1 month but less than 3 months	119	13,664
More than 3 months	<u>139,871</u>	<u>12,736</u>
	<u><b>140,092</b></u>	<u><b>31,944</b></u>

## 13 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits and other receivables	2,323	2,993
Prepayments	2,247	126,033
Loss allowance	<u>(1,442)</u>	<u>(1,377)</u>
	<u><b>3,128</b></u>	<u><b>127,649</b></u>

#### 14 TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	–	4,478
More than 1 month but less than 3 months	–	3,939
More than 3 months	<u>66,398</u>	<u>11,402</u>
	<u><b>66,398</b></u>	<u><b>19,819</b></u>

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

As at 31 December 2021, the amount due to the Group's associate of HK\$9,045,000 was repayable within one year, included in the Group's trade payable.

#### 15 OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accruals	9,938	9,285
Contract liabilities	92,028	3,466
Other payables	<u>5,744</u>	<u>3,117</u>
	<u><b>107,710</b></u>	<u><b>15,868</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW**

### **BUSINESS REVIEW**

For the past years, the Group has been facing various challenges, the instability in Sino-US trade war, the outbreak and rapid spreading of COVID-19 pandemic, quarantine measures and travel restrictions, the challenges in the post COVID-19 pandemic economic recovery and the supply chain disruptions due to the Russia-Ukraine war. The operations of the Group were inevitably affected. In response to these challenges, the Group has been closely monitoring its business portfolio and has actively taken 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.

During the year ended 31 December 2022, the Group continued to maintain its prudent approach on the core businesses of the Group and formulated various strategies to mitigate the negative impacts of the said challenges and enhance the shareholders' value. Cost control on the integrated circuits and semi-conductors parts and overall operating costs, provision of premier executive jet management business, marketing and promotion on the yacht management business, collaboration with world class yacht manufacturer and building of professional team and technical expertise for the development of yacht business had been taken as measures to maintain, create and enhance the competitive advantages of the Group's businesses. In 2022, 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 yacht related businesses. By the efforts and continuous support from all the staff of the Group, the Group achieved an improved performance in 2022. Revenue of approximately HK\$181.1 million (2021: HK\$105.6 million) and a loss for the year of approximately HK\$2.2 million (2021: HK\$52.8 million) were recorded for the year ended 31 December 2022, representing an increase in revenue of approximately 71.5%, and a 95.8% reduction in loss for the year, which was mainly contributed by the yacht businesses.

Needless to say, the global economy could not fully recover from the severe and prolonged impact of the COVID-19 pandemic in the short term. However, by virtue of the foresaid on-going 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 the Group in the long run. The Group is confident in the future prospect and committed to continuous growth.

## **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. Although, 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 year ended 31 December 2022, the operation of this segment recorded (i) a revenue of approximately HK\$34.5 million (2021: approximately HK\$39.5 million); and (ii) a gross profit of approximately HK\$23.9 million (2021: approximately HK\$24.9 million). The Management noticed that competition in the IC market was becoming more intensive, due to swift advance in technology, increase in cost of production and change in customers’ demands, which added further pressure on profit margins. The Group has therefore contemplated to exploit more resources to the yacht business and other newly developed businesses with higher profit margins.

## **Executive jet management**

Despite a nascent recovery in economic activities from the COVID-19 pandemic during 2022, the overall business in the aviation industry was still struggling and facing obstacles to its growth. Lack of pilot and crew members, shortage and delay in aircraft parts and various quarantine measures and restrictions that adversely affected the operations and made the business environment become more difficult and complicated. The entire aviation industry was encountered with the most severe consequences of the COVID-19 pandemic. Even though the demands for international travels as well as the private and executive jets slightly increased in 2022 in some countries, the resumption of international flights would require global collaboration, which has much room for improvement in 2023.

For the year ended 31 December 2022, revenue derived from the business of executive jet management was approximately HK\$26.8 million (2021: approximately HK\$63.8 million) and gross profit of approximately HK\$2.8 million (2021: approximately HK\$9.1 million) was recorded. 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 of the Group (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.

The financial results in 2022 of the business of executive jet management might not be satisfactory. However, by ending the flight control measures and ease of travel restrictions in 2023, the executive jet management business may return to the prepandemic level in the forthcoming years. That said, the Management will exercise cautious approach in exploiting its limited resources in its focused businesses with higher profit margins.



## **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-foot 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 Management was positive about the long-term potential of this segment and placed the yacht businesses at a high strategic position. The Management would consistently and closely monitor the performance of the yacht businesses to formulate feasible and profitable long-term strategies.

During the reporting period, the Group commenced the sales of yachts and entered into several agreements. On 1 March 2022, the Group reached an agreement with an independent third party which was authorised to act as the agent of the Group and granted the exclusive yacht agency in Hong Kong for a term of 3 years, effective from 1 March 2022 to 28 February 2025.

On 31 December 2021, the Group entered into a sales agreement with an independent third party to sell a 46-meter super yacht. The yacht was delivered to the buyer during the year ended 31 December 2022, upon which the control of the yacht was also transferred to the buyer.

During the year, the Group signed a couple of sales agreements with independent third parties to sell, in aggregate, nine 46-meter super yachts. As at the date of this announcement, the construction and outfitting of these nine ordered yachts are still in progress.

Along with the sales of yachts, various promotions and marketing activities were carried out during 2022.

As a result, for the year ended 31 December 2022, the operation of the sales of yachts recorded a revenue of approximately HK\$118.4 million (2021: Nil) and a gross profit of approximately HK\$57.4 million (2021: Nil), whereas the operation of yacht management services recorded a revenue of approximately HK\$1.4 million (2021: approximately HK\$1.9 million) and a gross profit of approximately HK\$0.5 million (2021: approximately HK\$1.3 million).

### **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\$30.3 million as at 31 December 2022 (2021: 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 pandemic, the Management adopted a passive and prudent investment strategy for this business segment for the reporting year. No revenue was recorded for the year ended 31 December 2022 and 2021. 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 2022, 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.
- 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.

For the year ended 31 December 2022, (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.

As at 31 December 2022, the investment in Cornerstone Securities has a fair value of approximately HK\$3.9 million (2021: approximately HK\$8.4 million), representing approximately 0.8% of the total assets of the Company (2021: 2.9%). The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment, and does not plan for active trading.

For the year ended 31 December 2021, the Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised. For details of this impairment assessment, please refer to the announcement of the Company dated 28 November 2022 and annual report 2021 of the Company.

## **BUSINESS OUTLOOK**

We have been experiencing extremely challenging time in the COVID-19 pandemic era. Statistics from various economic activities showed that the recovery from COVID-19 pandemic has been improving and the gross domestic product (GDP) in many countries recorded a growth as compared to 2021. Looking ahead into 2023, the Management anticipates the uncertainties resulted from the COVID-19 pandemic will be persisted for a period of time, hence, the Group will continue to implement its on-going reform and adopt cautious approaches in 2023.

According to Boat International, the brokerage market decreased by 20% in the total value of super yachts sold in 2022. However, this still represented a 50% increase in comparison to 2019 and nearly 80% increase in comparison to 2020. With such bright statistics towards the yacht industry, the Group is ambitious to expand and brand itself to capture this growing market.

By establishing the production facility in Hainan where labour and material costs are relatively low, the Group will be able 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.

Moreover, the Management strives to explore business opportunities in different segments so as to diversify the businesses of the Group and maximise the returns of the investors. During 2022, the second largest shareholder was introduced to the Group, which specialises in mining (including but not limited to gold, copper, and tin etc) and energy (LPG and LNG etc). By leveraging its extensive network, experience and specific industry resources, the Management is now actively seeking business opportunities in the trading of commodities in the aforesaid aspects. The Management plans to set up a team in carrying out the trading of commodities in the short run, which it believes will not only raise sharply the revenue of the Group, but also enhance the cash flow and ultimately the profit margins to a new high.

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.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2022, the Group achieved a revenue of approximately HK\$181.1 million (2021: approximately HK\$105.6 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, executive jet management services and the manufacturing and sales of yachts and other yacht related businesses.

For the year ended 31 December 2022, 65.4% (2021: Nil) of the consolidated revenue came from the business of manufacturing and sales of yacht, 19.1% (2021: 37.4%) of the consolidated revenue came from the business of the design and sales of integrated circuits and semi-conductor parts, while 15.5% (2021: 62.2%) of the consolidated revenue came from the businesses of executive jet and yacht management.

### **Operating expenses**

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK\$75.3 million for the year ended 31 December 2022 (2021: approximately HK\$59.4 million). Such increase was mainly due to the agency fee for the sale of yachts in selling and distribution costs in 2022.

### **Loss for the year**

For the year ended 31 December 2022, loss for the year attributable to owners of the Company was approximately HK\$2.2 million (2021: approximately HK\$52.8 million). The decrease in loss was mainly due to i) an impairment of investment in an associate at approximately HK\$20.3 million was recorded for the year ended 31 December 2021 while none was recorded for the year ended 31 December 2022; and ii) the new commenced business of manufacturing and sales of yacht business contributed HK\$57.4 million (2021: Nil) gross profit to the Group during the reporting year. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK\$0.60 cents (2021: approximately HK\$14.26 cents).

### **Liquidity and financial resources**

For the year ended 31 December 2022, the Group had no fund-raising activities.

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately HK\$104.3 million (2021: approximately HK\$86.2 million). Except for the loans from a shareholder and an amount due to a shareholder, the Group had no outstanding loans as at 31 December 2022 (2021: Nil).

### **Gearing ratio**

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total equity and liabilities, was approximately 89.8% as at 31 December 2022 (2021: approximately 78.8%). The Group did not have any debt financing except for the loans from a shareholder and an amount due to a shareholder.

### **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 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 2022, there was no change to the authorised and issued share capital of the Company. As at 1 January 2022 and 31 December 2022, 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 2022, the shareholders' fund amounted to approximately HK\$47.2 million (2021: approximately HK\$62.6 million).

### **Pledge of assets**

As at 31 December 2022, the Group did not have any pledge of assets (2021: 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 2022.

## **MATERIAL COMMITMENT**

As at 31 December 2022, the Group did not have any material commitment (2021: 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.

## **CONTINGENT LIABILITIES**

No material contingent liabilities of the Group were noted as at 31 December 2022 (2021: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group had approximately 140 employees (2021: 74 employees). For the year ended 31 December 2022, total employee benefits expenses, including directors' emoluments, amounted to approximately HK\$32.8 million (2021: HK\$33.8 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 2022 (2021: Nil).

## **CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 December 2022, 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 that it 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. 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 2022 to the date of this announcement is set out below:

- (i) Mr. Duan Hongtao resigned as an executive director and Chairman with effect from 14 February 2022; and
- (ii) Mr. Wang Yi was appointed as an executive director on 8 March 2022.

## **CHANGES IN INFORMATION OF THE DIRECTORS**

Upon specific enquiry by the Company and following confirmations from the Directors, and save as disclosed, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2022.



## **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’s name, the stock short name of the Company for trading in the shares of the Company 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 BRANCH OFFICE**

With reference to the announcement of the Company dated 29 July 2022, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Tengis Limited, changed its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022.

## **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. Specific enquiries have been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

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

As at 31 December 2022, 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 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 2022, 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:

<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 <i>(Note 1)</i></b>
Mr. Duan Hongtao <i>(Note 2 and Note 3)</i>	Interested in controlled corporation(s)	209,183,012	Long	56.50%
Zhongying Int'l <i>(Note 2)</i>	Beneficial Owner	209,183,012	Long	56.50%
Ever Digital Limited <i>(Note 2)</i>	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 <i>(Note 4)</i>	Beneficial Owner	68,500,000	Long	18.50%

1. Based on 370,245,142 ordinary shares of the Company in issue as at 31 December 2022.
2. As at 31 December 2022, Mr. Duan Hongtao owned 99% of the issued shares of Zhongying Int'l 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. Mr. Duan Hongtao resigned as an executive director and chairman of the Company with effect from 14 February 2022.
4. On 15 September 2022, Zhongying Int'l transferred a total of 68,500,000 shares of the Company to LLOYDS INVESTMENT GROUP FZCO.

As at 31 December 2022 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 2022.

## **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 2022.

## **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 2022 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Zenith CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Zenith CPA 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 Zenith CPA Limited on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website (<http://pacray.com.hk>). The annual report will be dispatched 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 dispatched 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  
**Balk 1798 Group Limited**  
**Li Weina**  
*Executive Director*

Hong Kong, 31 March 2023

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