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BALK 1798

Balk 1798 Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

VOLUNTARY ANNOUNCEMENT STRATEGIC COOPERATION AND POTENTIAL ACQUISITION

This announcement is made by Balk 1798 Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to inform the shareholders and potential investors of the Company of the latest business development of the Group.

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 7 November 2023 (after trading hours), the Company entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Balk Beheer B.V. (the “**Potential Vendor**”), a company incorporated in the Netherlands. Pursuant to the MOU, the Company intends to acquire, and the Potential Vendor intends to dispose of, the entire issued share capital of B&W Beleggingen B.V. (the “**Target Company**”) which is held by the Potential Vendor (the “**Proposed Acquisition**”).

Principal terms of the MOU

Date: 7 November 2023

Parties: (1) the Company, as potential purchaser; and
(2) Balk Beheer B.V, as potential vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Potential Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

Consideration

The consideration for the Proposed Acquisition will be further agreed between the Company and the Potential Vendor with reference to the valuation to be conducted by an independent professional valuer appointed by the Company or any other valuation method to be agreed between the Parties.

Due diligence review

Pursuant to the MOU, the Company may conduct due diligence review on the business, financial and legal affairs of the Target Company upon signing of the MOU. The Potential Vendor shall assist in providing the information reasonably requested by the Company and its advisers for the Company to complete its due diligence review on the Target Company.

Formal Agreement

The Company and the Potential Vendor shall negotiate in good faith to enter into a formal agreement in respect of the Proposed Acquisition within 90 days from the date of the MOU (or such later date as maybe agreed by the parties in writing) (the "**Formal Agreement**").

Non-legally Binding Effect

Save for the provisions relating to the confidentiality, notices, costs, and governing law and jurisdiction, the MOU does not constitute a legally binding agreement on the parties to the MOU.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the Netherlands. It holds the lease rights for a building plot in a new harbour known as "Maritieme Servicehaven Noordelijke Flevoland" ("**MSNF**").

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group has been continuously exploring opportunities to diversify its income source. One of the business activities of the Group is the manufacturing and sales of yachts and other yacht related business. Since 2021, the Group has devoted more attention on its yacht related business. It collaborated with world class yacht manufacturer and built up a professional team with technical expertise for the development of its yacht business so as to maintain, create and enhance its competitive advantage.

Upon completion of the Proposed Acquisition, the Group intends to invest in the development of MSNF including the construction of a new shipyard at MSNF. The intended uses of the new shipyard include manufacturing superyachts and conducting refitting work. Furthermore, the Group will continue to prioritise and expand its operations in the sales of superyachts, provision of after-sales services, luxury yacht rentals, onboard entertainment, and yacht tourism. The Directors believe that the Proposed Acquisition is a developmental milestone in the Group's yacht business, which can enhance the business portfolio of the Group's yacht business by providing a more comprehensive range of services. With such investment pursuant to the MOU, the Directors believes that the Group's income stream will be broadened which is beneficial to the Group as a whole. Leveraging the Group's expertise on the manufacturing and sales of superyacht, the Group will also consider further expanding its reach to the development of other types of vessels such as megayachts, cruises and cargo vessels in future.

Shareholders and potential investors of the Company are reminded that the Proposed Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By Order of the Board
Balk 1798 Group Limited
Li Weina
Executive Director

Hong Kong, 7 November 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.