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BALK 1798

Balk 1798 Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Leeds Securities Investment Limited

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 22 December 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent conditionally agreed to place as the Company's placing agent, on a best effort basis, the Placing Shares of up to 74,049,028 new Shares to currently expected to be not less than six Places at the Placing Price of HK\$0.56 per Placing Share. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM.

The Placing Shares represent (i) 20% of the existing total number of issued Shares as at the date of this announcement; and (ii) approximately 16.67% of the total number of issued Shares as enlarged by the allotment and issue of the Placing Shares in full, assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Closing Date. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$7,404,902.8.

Assuming that all the Placing Shares are successfully placed by the Placing Agent, the maximum gross proceeds from the Placing are estimated to be approximately HK\$41.5 million, and the maximum net proceeds, after deducting the placing commission, professional fees and all related expenses which may be borne by the Company, from the Placing are estimated to be approximately HK\$40.0 million.

The Company intends to apply the net proceeds for the purposes of general working capital and business development.

Completion of the Placing is subject to the satisfaction of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are summarised below:

Date : 22 December 2023 (after trading hours)

Issuer : The Company

Placing Agent : Leeds Securities Investment Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner(s) is an Independent Third Party as at the date of this announcement.

Pursuant to the terms of the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum of 74,049,028 Placing Shares to not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons.

Placing Commission

The Placing Agent will charge the Company a placing commission of 3% of the aggregate amount equal to the Placing Price multiplied by the number of the Placing Shares being placed by the Placing Agent. The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions, and the Directors are of the view that the placing commission is fair and reasonable.

Placees

The Placing Agent will, on a best efforts basis, place the Placing Shares to currently expected to be not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties.

Number of Placing Shares

Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) 20.00% of the existing issued share capital of the Company of 74,049,028 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$7,404,902.8.

Ranking of Placing Shares

The Placing Shares under the Placing will rank pari passu in all respects with the existing Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.56 per Placing Share represents:

- (a) a discount of approximately 18.5% to the closing price of HK\$0.690 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and

- (b) a discount of approximately 14.9% to the average closing price of HK\$0.658 per Share as quoted on the Stock Exchange in the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price of the Placing was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the Placing Price are fair and reasonable based on the current market conditions.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds (after deducting placing commission and other relevant costs and expenses) from the Placing will be approximately HK\$41.5 million and approximately HK\$40.0 million respectively. On such basis, the net issue price will be approximately HK\$0.54 per Placing Share.

General Mandate to allot and issue of the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 74,049,028 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be fully utilised upon the allotment and issue of all the Placing Shares.

Application for Listing of Placing Shares

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Conditions and Completion of the Placing

Completion of the Placing is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares; and

- (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event that any of the above conditions is not fulfilled on or before 12 January 2024 (or such later date as may be agreed between the parties to the Placing Agreement in writing), all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and terminate and neither of the parties thereto shall have any claim against the other save for any antecedent breach under the Placing Agreement prior to such termination.

Completion of the Placing

Completion of the Placing will take place within four (4) Business Days after the fulfillment of the above conditions precedent or such other date to be agreed between the Company and the Placing Agent in writing.

Termination

The Placing Agent may terminate the Placing Agreement without any liability to the Company save for antecedent breach under the Placing Agreement prior to such termination, by notice in writing given to the Company at any time prior to 8:00 a.m. on the Placing Completion Date upon the occurrence of the following events:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would adversely affect the success of the Placing; or

- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have an adverse effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (vi) any breach of any of the representations and warranties of the Company to the Placing Agent under the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or
- (vii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

If notice is given pursuant to this section, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of this Agreement save for any antecedent breach under this Agreement prior to such termination.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Company is the holding company of the Group. Its subsidiaries are 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 view of the current market conditions, the Directors consider that the Placing represents a good opportunity to broaden the shareholders base and capital base of the Company and to raise capital for its operation and future business developments.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds (after deduction of placing commission and other expenses of the Placing) from the Placing will be approximately HK\$41.5 million and HK\$40.0 million respectively. The Company intends to apply the net proceeds from the Placing for general working capital and business development.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market conditions and the recent trading performance of the Shares and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY

On 11 October 2023, Zhongying Int'l Holding Group Limited ("**Zhongying**"), the controlling shareholder of the Company, and its wholly owned subsidiary, Ever Digital Limited (collectively, the "**Vendors**"), have entered into a placing agreement on 11 October 2023 (after trading hours) with Silverbricks Securities Company Limited, as the placing agent has agreed to procure investor(s) on a reasonable efforts basis to purchase up to 209,183,012 existing shares of the Company held by the Vendors at a price of HK\$0.81 each. For more details, please refer to the announcement of the Company dated 11 October 2023 of the Company.

Save as to the fund raising activity mentioned above, the Company has not conducted any other fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to completion of the Placing, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Placing.

	As at the date of this announcement		Immediately after completion of the Placing (assuming all the Placing Shares are fully placed)	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Shareholders				
Duan Hongtao (<i>Note 1</i>)	56,867,012	15.36	56,867,012	12.80
Zhongying Int'l Holding Group Limited (<i>Note 1</i>)	56,867,012	15.36	56,867,012	12.80
Arrab Chalid	68,500,000	18.50	68,500,000	15.42
LLOYDS INVESTMENT GROUP FZCO (<i>Note 2</i>)	68,500,000	18.50	68,500,000	15.42
Public Shareholders				
The Placees	–	–	74,049,028	16.67
Other public Shareholders	244,878,130	66.14	244,878,130	55.11
Total	<u>370,245,142</u>	<u>100.00</u>	<u>444,294,170</u>	<u>100.00</u>

Note:

- As at 10 November 2023, Mr. Duan Hongtao owned 99% of the issued shares of Zhongying Int'l Holding Group Limited which beneficially owned 56,867,102 shares of the Company.
- 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.

Completion of the Placing is subject to the fulfillment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“AGM”	the annual general meeting of the Company held on 6 June 2023
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Balk 1798 Group Limited, an exempted company with limited liability incorporated under the laws of Bermuda
“Director(s)”	Directors of the Company
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, pursuant to which the Directors are authorised to allot, issue and deal in not more than 74,049,028 new Shares, representing 20% of the issued share capital of the Company as at the date of the AGM
“Group”	The Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the Listing Rules)
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Share
“Placing”	the placing of the Placing Shares on and subject to the terms and condition set out in the Placing Agreement
“Placing Agent”	Leeds Securities Investment Limited, a licensed corporation to carry out on Type 1 (dealing in securities) regulated activities under the SFO
“Placing Agreement”	the agreement entered into between the Company and the Placing Agent dated 22 December 2023 in respect of the Placing
“Placing Completion Date”	a date falling within four (4) Business Days after the day on which all the conditions set out in the section headed “Conditions and completion of the Placing” of this announcement have been fulfilled (or such later date as may be agreed between the parties hereto in writing)

“Placing Price”	HK\$0.56 per Placing Share (exclusive of any brokerage, SFC transaction levy and the Stock Exchange trading fee as may be payable)
“Placing Share(s)”	up to 74,049,028 Shares new Shares to be placed pursuant to the Placing Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	the ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 22 December 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.