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Sky Blue 11 Company Limited

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

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

Placing Agent to the Company



Leeds Securities Investment Limited

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Diligent Capital Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK\$146.6 million before expenses by way of Rights Issue of up to 444,294,170 Rights Shares at the Subscription Price of HK\$0.330 per Rights Share on the basis of one (1) Rights Share for every one (1) Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten.

Assuming full subscription of the Rights Issue, the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$138.4 million (assuming no change in the total number of Shares in issue on or before the Record Date). The Company intends to apply the net proceeds as to (1) approximately HK\$117.6 million for the development and expansion of the Group's existing yacht business, including (i) the acquisition of B&W Beleggingen B.V. which holds the lease rights for a building plot in a new harbour in the Netherlands to expand the Group's yacht business and (ii) the manufacturing of yachts; and (2) approximately HK\$20.8 million for the general working capital of the Group.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. There are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue at the time. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares in their fully-paid form.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, all transfer documents of the Shares (together with the relevant share certificate(s)) must be lodged for registration with Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Thursday, 20 June 2024.

THE PLACING AGREEMENT

The Company will make Compensatory Arrangements as described under Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the independent Placees for the benefit of the Shareholders to whom they are offered by way of the Rights Issue.

Accordingly, on 10 May 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the independent Placees on a best effort basis.

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this announcement, in accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue at the SGM.

As at the date of this announcement, the Company has no controlling Shareholder as defined under the Listing Rules, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors and chief executives has any interests in the Shares of the Company. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the proposed Rights Issue at the SGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Ching Ching, Dr. Song Donglin and Dr. Zhang Shengdong, to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM, taking into account the recommendations of the Independent Financial Adviser.

In this connection, Diligent Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024 (both days inclusive) for determining the entitlements of the Shareholders to attend and vote at the SGM, and will further be closed from Friday, 21 June 2024 to Thursday, 27 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue, during which period no transfer of Shares will be registered.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the proposed Rights Issue. A circular containing, among other things, (i) further details of the Rights Issue and the Placing Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder; and (iv) a notice of SGM, is expected to be despatched to the Shareholders on or before Thursday, 30 May 2024.

In order to be registered as a member of the Company on the record date for attendance and voting at the SGM, all transfer documents of the Shares (together with the relevant share certificate(s)) must be lodged for registration with Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Friday, 7 June 2024.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group and the PAL(s) are expected to be despatched to the Qualifying Shareholders on Friday, 28 June 2024. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch and the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) to the Non-Qualifying Shareholders (if any).

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non- underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK\$146.6 million by way of the issue of up to 444,294,170 Rights Shares at the Subscription Price of HK\$0.330 per Rights Share on the basis of one (1) Rights Share for every one (1) Share held at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Further details of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) Share held by the Shareholders on the Record Date
Subscription Price:	HK\$0.330 per Rights Share
Number of Shares in issue as at the date of this announcement:	444,294,170 Shares
Number of Rights Shares to be issued under the Rights Issue	Up to 444,294,170 Rights Shares (assuming there is no change to the total number of Shares in issue on or before the Record Date)
	The aggregate nominal value of the Rights Shares will be HK\$44,429,417
Total number of Shares in issue as enlarged by the allotment and issue of the Rights Shares:	Up to 888,588,340 Shares (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed):	Up to approximately HK\$146.6 million before expenses (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

As at the date of this announcement, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming there is no change in the total number of Shares in issue on or before the Record Date and that no Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 444,294,170 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 100% of the issued share capital of the Company as at the date of this announcement; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

Undertakings

As at the date of this announcement, the Company has not received any information or irrevocable undertaking from any Shareholder of their intention as to whether such Shareholder will take up his/her entitlements under the Rights Issue (or otherwise).

Subscription Price

The Subscription Price of HK\$0.330 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares, or where applicable, when a transferee of the nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 33.3% to the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.9% to the average closing price of approximately HK\$0.5070 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 35.2% to the average closing price of approximately HK\$0.5090 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 20.0% to the theoretical ex-rights price of approximately HK\$0.4125 per Share based on the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 17.90%, represented by the theoretical diluted price of approximately HK\$0.4220 per Share to the benchmarked price of approximately HK\$0.514 per Share (as defined under 7.27B of the Listing Rules, taking into account the higher of (i) the closing price on the Last Trading Day of HK\$0.495 per Share and (ii) the average of the closing prices of approximately HK\$0.514 per Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement).

The reference of Subscription Price to the consolidated net asset value per Share is not applicable as the Company is currently at net liabilities position.

The Subscription Price was determined by the Company with reference to, among other things, the recent market price of the Shares, the prevailing market conditions of the capital market in Hong Kong, the financial position of the Group and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” below in this announcement, in particular,

- (i) the net liabilities position of the Group as at 31 December 2023;

- (ii) the low average trading volume of approximately 7,130,814 Shares during the 3-month period from 14 February 2024 up to and including the Last Trading Day, representing approximately 1.60% of the total number of issued Shares as at the date of this announcement, which indicates low liquidity and demand for the Shares of the Company;
- (iii) the prevailing market conditions of the capital market in Hong Kong by referring to the prevailing quote of the Hang Seng Index over the last year from 10 May 2023 up to and including the Last Trading Day, which presented fluctuation in the range of approximately 14,961 to 20,079 and a downward trend; and
- (iv) given the relatively large fundraising size when compared with the market capitalisation of the Company as at the Last Trading Day, the Directors' view that it would be reasonable for the Subscription Price to be set at a level considerably lower than that of the benchmark price in order to (a) enhance the attractiveness of the proposed Rights Issue; and (b) encourage the Qualifying Shareholders to participate in the Rights Issue and subscribe for the Rights Shares in proportion to their existing shareholdings in the Company.

In view of the above, and considering that the discount of the Subscription Price would encourage the Qualifying Shareholders to (i) take up their entitlements to maintain their shareholdings in the Company thereby minimising any possible dilution impact to their shareholding interest; and (ii) participate in the future growth of the Company, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) are of the view that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the SGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;

- (ii) the Listing Committee granting and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and such listing and permission to deal not having been withdrawn or revoked;
- (iii) the provision to the Stock Exchange for authorisation and the filing and registration with the Companies Registry in Hong Kong respectively one duly certified copy of each of the Prospectus Documents (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iv) following registration, the Prospectus Documents be made available and/or sent (as the case may be) to the Qualifying Shareholders (and, where applicable, to the Non- Qualifying Shareholder(s), if any, for information purpose only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Prospectus Posting Date;
- (v) the Company having complied with the requirements under all applicable laws and regulations; and
- (vi) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. If any of the conditions above are not fulfilled, the Rights Issue will not proceed. As at the date of this announcement, none of the above conditions has been fulfilled.

As the proposed Rights Issue is subject to the fulfillment of the above conditions, it may or may not proceed.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and is not a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Thursday, 20 June 2024. The register of members of the Company will be closed from Friday, 21 June 2024 to Thursday, 27 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Beneficial owners of the Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of the Shares whose Shares are registered in name of nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of the Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for completion of the relevant registration not later than 4:30 pm on Thursday, 20 June 2024.

Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its shareholding in the Company will be diluted.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 13.36(2) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of provisional allotment

The Rights Shares will be allotted on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Tuesday, 6 August 2024 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares. If the Rights Issue is terminated, refund cheques are expected to be sent on or before Tuesday, 6 August 2024 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Odd lots matching services

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots arising from the Rights Issue on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the circular to be despatched to the Shareholders in relation to, among others, the Rights Issue.

Holders of odd lots arising from the Rights Issue should note that successful matching of the sale and purchase of odd lots arising from the Rights Issue are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Non-Qualifying Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will remain in the board lots of 2,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy and any other applicable fees and charges in Hong Kong.

Procedures in respect of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent Placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m., on Monday, 29 July 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- (i) the relevant Qualifying Shareholders whose entitled Rights Shares are not validly applied for in full, by reference to the extent that Shares in his/her/its entitlements are not validly applied for; and
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

THE PLACING ARRANGEMENT

On 10 May 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares as part of the Compensatory Arrangements. The principal terms of the Placing Agreement are as follows:

Date: 10 May 2024 (after trading hours)

Issuer: the Company

Placing Agent: Leeds Securities Investment Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best efforts basis, independent Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period: The period from Monday, 22 July 2024 up to 4:00 p.m. on Monday, 29 July 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

Placing fee: Subject to the completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars of 5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement.

No fees shall be paid by the Company if the Placing is not completed.

Placing price: The placing price of each of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall be not less than the Subscription Price.

The determination of the final price is dependent on the demand and market conditions for the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of Placing.

Places: The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the independent Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).

Ranking: Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.

Conditions precedent: The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among other things, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):

- (i) the Listing Committee having granted the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares;
- (ii) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;

- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the termination events,

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any or any part of the conditions (other than those set out in paragraphs (i) to (ii) above) by notice in writing to the Company.

In the event that the above conditions precedents have not been fulfilled on or before the Placing Long Stop Date, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

Termination:

Notwithstanding anything contained in the Placing Agreement, the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to Latest Placing Time, to terminate the Placing Agreement, if, prior to the Latest Placing Time:

- (a) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
- (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (iv) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing.

Upon the giving of such notice as referred to above by the Placing Agent, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other party, save for any prior breaches of the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiations between the Placing Agent and the Company by reference to the financial position of the Group, the size of the Rights Issue and the prevailing market conditions. The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) consider that the terms of the Placing Agreement, including the placing fee charged, are fair and reasonable and the transactions contemplated under the Placing Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Placing Agent shall ensure that the Placing Shares are placed only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties, such that:

- (i) the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and
- (ii) the Placing will not result in the Company incapable of complying with the public float requirements under Rule 8.08 of the Listing Rules immediately following the Placing.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) channel of participation in the Rights Issue for independent investors; and (iii) a compensatory mechanism for No Action Shareholders and the Non-Qualifying Shareholders, the Directors considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management; and (iii) manufacturing and sales of yachts and other yachts related businesses.

Assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$146.6 million and the relevant expenses would be approximately HK\$8.2 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$138.4 million.

The Group has the following business plans and intends to allocate more resources, including part of the estimated net proceeds, to the development of its existing manufacturing of yachts business. For further details of the intended application of proceeds from the Rights Issue, please refer to the paragraph headed "Intended use of proceeds" of this section.

Development and expansion of existing manufacturing of yachts business

The Group commenced to look for business opportunities in the yacht business since 2019 by entering into a non-exclusive agency agreement with an independent third party to sell 46-meter mega yachts and 110-foot catamaran yachts. In 2021, the Group established a production facility for the procurement and production of yachts in Hainan, the PRC, where labour and material costs were relatively low.

Currently, the yacht business is the largest business segment of the Group. As disclosed in the annual results announcement of the Group for the year ended 31 December 2023, the Group's yacht business accounts for a revenue of approximately HK\$88.8 million, representing approximately 77.9% of the total revenue of the Group during the year.

According to the Sales Market Report by IYC Yachts, in 2023, the selling prices of yachts remained stable and experienced an increase by 39% for used units and 11% for new yachts as compared to 2022. The increase was mainly driven by the ongoing demands for large yachts (164-feet or 50-meter yachts) that required higher construction prices and limited available construction slots for new builds in shipyards.

Having considered (i) the importance of yacht business for the Group; (ii) the potential market growth globally in the yacht industry; and (iii) the recent decline in the PRC market leading to lowered demand for yachts locally, the Group intends to invest in and expand its existing yacht business to make a gradual shift for its yacht-construction from the PRC to Europe. As such, the Directors are considering to acquire B&W Beleggingen B.V. and construct a new shipyard in the Netherlands, a place that is known for its craftsmanship and its maritime industry.

Proposed acquisition of B&W Beleggingen B.V. and construction of new shipyard

As disclosed in the announcements of the Company dated 7 November 2023 and 13 November 2023, the Group has been exploring the possibility to acquire the entire issued share capital of B&W Beleggingen B.V. as an expansion of the Group's existing business development. To the best knowledge of the Directors, B&W Beleggingen B.V. holds the lease rights of 80 years of a part of the building plot (the "**Building Plot**") in a new harbour known as "**Maritieme Servicehaven Noordelijke Flevoland**" ("**MSNF**") in the Netherlands, a new international port which has gained support from the local government with vacant lands intended to be used for maritime-related services (the "**Proposed Acquisition**"). The Group intends to invest in the development of MSNF including the construction of a new shipyard at MSNF through the Proposed Acquisition (the "**Proposed Construction**").

Intended use of the shipyard under the Proposed Construction

The Directors believe that the Proposed Acquisition allows the Group to secure its way to expand its yacht construction business currently based in Hainan to the Netherlands. Currently, given the limited space of the Group's only existing production facility in Hainan, the Group would outsource some of the yacht manufacturing work to external subcontractors. Upon the completion of the Proposed Construction, the Group intends to utilise the construction resources both in Hainan and the Netherlands, where it will be able to (i) increase its production capacity with the new manufacturing support; and (ii) distribute its yacht production work in a cost-efficient manner. The Group will continue to procure part of the yacht manufacturing works (such as ship parts) at its existing production facility in Hainan such that the Group may continue to enjoy the benefits of relatively low labour and material costs in the PRC. Moreover, since the yachts partly or fully constructed in the Netherlands usually have more favourable prices than those solely constructed in the PRC due to the brand name and worldwide reputation of the Dutch production, the Group intends to manufacture superyachts and conduct refitting works at the new shipyard constructed so as to enhance the profit margin. With such a new shipyard in the Netherlands, the Group may enhance its business portfolio by expanding business out of the PRC, and may attract technicians with sophisticated ship-building skills to join the Group. Such technical capabilities acquired are intended to be applied to both shipyards in the Netherlands and Hainan, which may yield greater profits for its existing yacht-production business and enhance production efficiency of yachts within the Group.

Funding and building plans for the Proposed Construction

The Building Plot is currently a vacant land with intended land use of maritime-related services. However, as the local government has undertaken to invest in the reclamation and development of infrastructure of MSNF which shall take approximately 2 to 3 years, the Group expects that the Proposed Construction will only begin in about 3 to 6 years' time and the estimated duration is approximately 3 to 5 years. As the new shipyard will comprise multiple shipbuilding halls, the Group plans to construct the new shipyard by stages, such that the Group will be able to commence its yacht manufacturing once each of the new shipbuilding hall is built and ready to use. Between now and the completion of the Proposed Construction, the Group will operate its yacht manufacturing business and generate income. Currently, there are five semi-finished yachts, among which, two are nearly complete, under construction in Hainan which may be transferred and completed in the Netherlands by subcontractors and/or at the shipbuilding hall(s) that are ready to use, so they can be sold for higher prices. Therefore, the upcoming stages of the Proposed Construction will be funded by the income generated from (i) selling of yachts partly or fully constructed at the Netherlands at more favourable prices; and (ii) the operation of the shipbuilding hall(s) built per each stage of the Proposed Construction.

Reasons for the Proposed Acquisition and the Proposed Construction

Having considered that (i) there are very limited acquisition targets available with existing shipyards of comparable size as the one of the Proposed Acquisition, due to the overall large size of the building plot at MSNF; (ii) the costs required for acquiring such a shipyard among those acquisition targets would be significantly greater; (iii) the higher costs needed for outsourcing manufacturing work in the Netherlands; (iv) the difficulty to control the work quality of the subcontractors; and (v) the difficulty to ensure the acquisition targets have facilities and settings that would complement with the existing production system in Hainan, the Directors believe that the Proposed Acquisition including the Proposed Construction for a tailor-made shipyard would be more appropriate for the Company.

Moreover, the Directors believe that given (i) the lowered demand for yachts in the PRC due to recent decline in the market; (ii) the leading position of the Netherlands in the maritime and shipbuilding industry; and (iii) the devotion of the local government in developing the new port of MSNF, the lease rights for a sizeable building plot at MSNF represents great investment opportunities to the Group. As a yacht manufacturer, the Group is eager to secure this opportunity from the Proposed Construction to increase (i) its physical presence and market share in the maritime industry in the Netherlands; and (ii) its value by obtaining lease rights of the Building Plot, the new shipyard under the Proposed Construction and the advanced shipbuilding technologies of the Dutch.

Upon completion of construction shipbuilding hall(s) under the Proposed Construction, the Group may enter into strategic cooperation (the “**Strategic Cooperation**”) with a local yacht manufacturer, which has over 200 years of shipbuilding history. Under the Strategic Cooperation, the parties may work together on the operation of the new shipyard constructed at MSNF where they will be able to pool their resources together and share shipbuilding expertise. Through the Proposed Construction and the Strategic Cooperation, the Group expects to further acquire the Dutch shipbuilding technologies to enhance its technical capabilities and performance while also benefiting its production teams in Hainan. Furthermore, given the increased support and resources, the Group would also be able establish a complete one-stop production line for manufacturing yachts at MSNF. Further announcement in relation to the Strategic Cooperation will be made by the Company as and when appropriate.

In summary, the Directors believe that the development and expansion of the Group's existing manufacturing of yachts business from the PRC to the Netherlands by way of Proposed Acquisition together with the Proposed Construction will (i) enhance the Group's value and its business portfolio through expanding its existing yacht business out of the PRC; (ii) allow the Group to take advantage of the increasing demand for large yachts around the world and benefit the Group's yacht business in long run; and (iii) enable the Group to gain widespread market acceptance, recognition and popularity globally.

Looking forward, leveraging the Group's manufacturing capabilities and expertise, the Group will continue to expand its operations in the sales of superyachts, provision of after-sales services, luxury yacht rentals, onboard entertainment and yacht tourism, and will also consider expanding its reach to the development of other types of vessels such as megayachts, cruises and cargo vessels in future.

Having considered the financial positions and liquidity of the Group and in particular its net liabilities position as disclosed in the annual results announcement of the Group for the year ended 31 December 2023, the Directors consider it necessary to seek additional source of funding to (i) develop and expand its yacht business with an aim to maximise its profit for this business segment; and (ii) replenish its general working capital, and that the Directors consider the proposed Rights Issue is in the interests of the Company and the Shareholders as a whole.

Intended use of proceeds

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$138.4 million from the Rights Issue (assuming no other change in the number of Shares in issue on or before the Record Date) for the following purposes:

1. approximately HK\$117.6 million (or approximately 85% of the total net proceeds) will be used for the development and expansion of the Group's existing yacht business, including:
 - (i) approximately HK\$27.7 million (or approximately 20% of the total net proceeds) for the acquisition of B&W Beleggingen B.V. which holds the lease rights for a building plot in a new harbour in the Netherlands to expand the Group's existing yacht business; and

- (ii) approximately HK\$89.9 million (or approximately 65% of the total net proceeds) for the manufacturing of yachts, including for (a) machinery and equipment; (b) piping and electricity; and (c) labour and other costs; and
2. approximately HK\$20.8 million (or approximately 15% of the total net proceeds) will be used for general working capital of the Group.

In the event that there is an under-subscription of the Rights Issue and the Unsubscribed Rights Shares or NQS Unsold Rights Shares are not fully placed, the Company will prioritise in allocating and utilising the net proceeds for the acquisition of B&W Beleggingen B.V., the manufacturing of yachts and as general working capital of the Group in the same proportion as aforementioned. Further details of the use of proceeds will be disclosed by the Company in the announcement of results of the Rights Issue.

Fund-raising alternatives

Apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. The Board notes that debt financing such as bank borrowings would incur additional interest burden of the Company and create pressure on the liquidity of the Company, and may be subject to negotiations with the banks. Hence, the Board does not consider it to be beneficial to the Company. As for placing of new Shares, the Board consider that it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company and that it is relatively smaller in scale comparing to fund raising through rights issue. As for open offer, while it is similar to rights issue in terms of offering Qualifying Shareholders opportunity to participate, it does not allow free trading of rights entitlements in the open market.

As Rights Issue would allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company while offering them opportunity to participate in the future development of the Company, the Directors, having considered all the other fund-raising alternatives, are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that it is an appropriate fund-raising method to reduce the level of liabilities, strengthen the capital base and financial position of the Company, and support the Company's continuing business development and growth.

As at the date of this announcement, save as disclosed in this announcement, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Rights Issue.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024 (both days inclusive) for determining the entitlements of the Shareholders to attend and vote at the SGM, and will further be closed from Friday, 21 June 2024 to Thursday, 27 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue, during which period no transfer of Shares will be registered.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

Set out below is the expected timetable for the Rights Issue, which has been prepared on the assumption that all the conditions to the Rights Issue and the Placing Agreement will be fulfilled or otherwise waived, and therefore the dates are tentative and the expected timetable is for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to the Hong Kong local times and dates:

Event	Timeline
Publication of this announcement	Friday, 10 May 2024
Expected despatch date of the circular, proxy form and notice of SGM	Thursday, 30 May 2024
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 7 June 2024

Event	Timeline
Closure of register of members of the Company to determine the entitlements of the Shareholders to attend and vote at the SGM	Tuesday, 11 June 2024 to Friday, 14 June 2024 (both days inclusive)
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Wednesday, 12 June 2024
Record date for attending and voting at the SGM	Friday, 14 June 2024
Expected time and date of the SGM	11:00 a.m. on Friday, 14 June 2024
Announcement of poll results of the SGM	Friday, 14 June 2024
Re-opening of the register of members of the Company	Monday, 17 June 2024
The following events are conditional on the fulfilment of the condition(s) for the implementation of the Rights Issue and therefore the dates are tentative:	
Last day of dealings in the Shares on a cum-rights basis of the Rights Issue	Tuesday, 18 June 2024
First day of dealings in the Shares on an ex-rights basis of the Rights Issue	Wednesday, 19 June 2024
Latest time for lodging transfer documents of the Shares to qualify for the Rights Issue	4:30 p.m. on Thursday, 20 June 2024
Closure of register of members of the Company to determine the entitlements to the Rights Issue.	Friday, 21 June 2024 to Thursday, 27 June 2024 (both days inclusive)

Event	Timeline
Record Date for determining entitlements to the Rights Issue	Thursday, 27 June 2024
Re-opening of the register of members of the Company	Friday, 28 June 2024
Expected publication date of the Prospectus Documents (including the Prospectus and the PAL(s); and in the case of the Non-Qualifying Shareholders, the Prospectus only)	Friday, 28 June 2024
First day of dealings in nil-paid Rights Shares in the board lot size of 2,000 Rights Shares	Wednesday, 3 July 2024
Latest time for splitting of the PAL(s)	4:30 p.m. on Friday, 5 July 2024
Last day of dealings in nil-paid Rights Shares in the board lot size of 2,000 Rights Shares	Wednesday, 10 July 2024
Latest time to lodge transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Monday, 15 July 2024
Latest time for acceptance of, and payment for, the Rights Shares	4:00 p.m. on Monday, 15 July 2024
Announcement of the number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements	Friday, 19 July 2024
Commencement of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Monday, 22 July 2024

Event	Timeline
Latest Placing Time / Latest Placing Date for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 29 July 2024
Placing Long Stop Date / Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares to become unconditional	4:00 p.m. on Tuesday, 30 July 2024
Rights Issue settlement and Placing completion date	Tuesday, 30 July 2024
Announcement of the results of Rights Issue (including the results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and the amount of the Net Gain per the Unsubscribed Rights Share and the NQS Unsold Rights Share under the Compensatory Arrangements)	Monday, 5 August 2024
Despatch of share certificates for fully-paid Rights Shares	Tuesday, 6 August 2024
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	Tuesday, 6 August 2024
Expected commencement of dealings in fully-paid Rights Shares in the board lot size of 2,000 Rights Shares.	9:00 a.m. on Wednesday, 7 August 2024
Designated broker commences to provide matching services for odd lots of Shares.	9:00 a.m. on Wednesday, 7 August 2024

Event	Timeline
Payment of the Net Gain (if any) to the relevant No Action Shareholders (if any)	Tuesday, 20 August 2024
Designated broker ceases to provide matching services for odd lots of Shares.	4:00 p.m. on Tuesday, 27 August 2024

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning or “extreme conditions” is announced by the Government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 15 July 2024. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 15 July 2024. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on Monday, 15 July 2024, the dates mentioned in the section headed “EXPECTED TIMETABLE FOR THE RIGHTS ISSUE” above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue, assuming full acceptance of the Rights Shares by the Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares		No. of Shares		No. of Shares	
Zhongying Int'l Holding Group Limited (<i>Note 1</i>)	52,321,012	11.78%	104,642,024	11.78%	52,321,012	5.89%
LLOYDS INVESTMENT GROUP FZCO (<i>Note 2</i>)	68,500,000	15.42%	137,000,000	15.42%	68,500,000	7.71%
Independent Placees (<i>Note 3</i>)	–	–	–	–	444,294,170	50.00%
Other Public Shareholders	323,473,158	72.81%	646,946,316	72.81%	323,473,158	36.40%
Total	444,294,170	100.00%	888,588,340	100.00%	888,588,340	100.00%

Notes:

- Mr. Duan Hongtao owns 99% of the issued shares of Zhongying Int'l Holding Group Limited which beneficially owns 52,321,012 Shares of the Company. Accordingly, Mr. Duan Hongtao is deemed to be interested in all the Shares held by Zhongying Int'l Holding Group Limited for the purposes of Part XV of the SFO.
- Mr. Arrab Chalid owns 100% of the issued shares of LLOYDS INVESTMENT GROUP FZCO which beneficially owns 68,500,000 Shares of the Company. Accordingly, Mr. Arrab Chalid is deemed to be interested in all the Shares held by LLOYDS INVESTMENT GROUP FZCO for the purposes of Part XV of the SFO.

3. This scenario is for illustrative purpose only. Pursuant to the Placing Agreement, the Placing Agent shall ensure that (i) each of such Placees, who and whose ultimate beneficial owner(s) (as the case may be) shall be Independent Third Parties; (ii) the voting rights of the Company of each of the Placees shall not, together with its associates, be at such level that prevents the Company from fulfilling the public float requirements under Rule 8.08 of the Listing Rules; and (iii) each of the Placees shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 30.00% or more of the voting rights of the Company upon completion of the Rights Issue or otherwise trigger any obligation to make a general offer under the Takeovers Code upon completion of the Rights Issue.
4. Certain percentage figures included in the table above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

The public float requirements under the Listing Rules shall be maintained by the Company at all times, and the Company will take all appropriate steps to ensure that sufficient public float shall be at all times in compliance with Rule 8.08 of the Listing Rules.

EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company had carried out the following equity fund-raising activities in the 12 months immediately preceding the date of this announcement:

Date of announcement(s)	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
22 December 2023, 17 January 2024	Placing of new Shares under general mandate	HK\$40,000,000	for general working capital and business development	used as intended

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

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this announcement, in accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue at the SGM.

As at the date of this announcement, the Company has no controlling Shareholder as defined under the Listing Rules, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors and chief executives has any interests in the Shares of the Company. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the proposed Rights Issue at the SGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Ching Ching, Dr. Song Donglin and Dr. Zhang Shengdong, to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM, taking into account the recommendations of the Independent Financial Adviser.

In this connection, Diligent Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the proposed Rights Issue. A circular containing, among other things, (i) further details of the Rights Issue and the Placing Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder; and (iv) a notice of SGM, is expected to be despatched to the Shareholders on or before Thursday, 30 May 2024.

In order to be registered as a member of the Company on the record date for attendance and voting at the SGM, all transfer documents of the Shares (together with the relevant share certificate(s)) must be lodged for registration with Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Friday, 7 June 2024.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and the PAL(s) are expected to be despatched to the Qualifying Shareholders on Friday, 28 June 2024. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch and the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) to the Non-Qualifying Shareholders (if any).

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non- underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is under subscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	means a day (other than a Saturday and a day on which “extreme conditions” is announced by the Government of Hong Kong or a tropical cyclone warning no. 8 or above is hoisted in Hong Kong at any time 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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“Company”	Sky Blue 11 Company Limited (formerly known as Balk 1798 Group Limited 巴克1798集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1010)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1) (b) of the Listing Rules as described in the section headed “Procedures in respect of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“Independent Financial Adviser”	Diligent Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting

“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the SGM under the Listing Rules
“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate)
“Last Trading Day”	10 May 2024, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Placing Date”	Monday, 29 July 2024 or such other date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Placing Shares
“Latest Placing Time”	4:00 p.m. on the Latest Placing Date
“Latest Time for Acceptance”	4:00 p.m. on Monday, 15 July 2024 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements

“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Non-Qualifying Shareholders (if any)
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub- placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement

“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Leeds Securities Investment Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements
“Placing Agreement”	the placing agreement dated 10 May 2024 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Long Stop Date”	Tuesday, 30 July 2024 (being the next Business Day after the Latest Placing Date) or such later date as the Company may announce
“Placing Period”	the period from Monday, 22 July 2024 up to 4:00 p.m. on Monday, 29 July 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing
“Placing Shares”	all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and the PAL
“Prospectus Posting Date”	Friday, 28 June 2024 or such other date as may be agreed by the Company, being the expected date the Prospectus Documents will be made available and/or sent (as the case may be) to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 27 June 2024 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Tricor Tengis Limited, the Company’s branch share registrar in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 444,294,170 Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders or subscription pursuant to the Rights Issue, assuming no change in the number of Shares in issue on or before the Record Date
“SFC”	Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the proposed Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.330 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 10 May 2024

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