



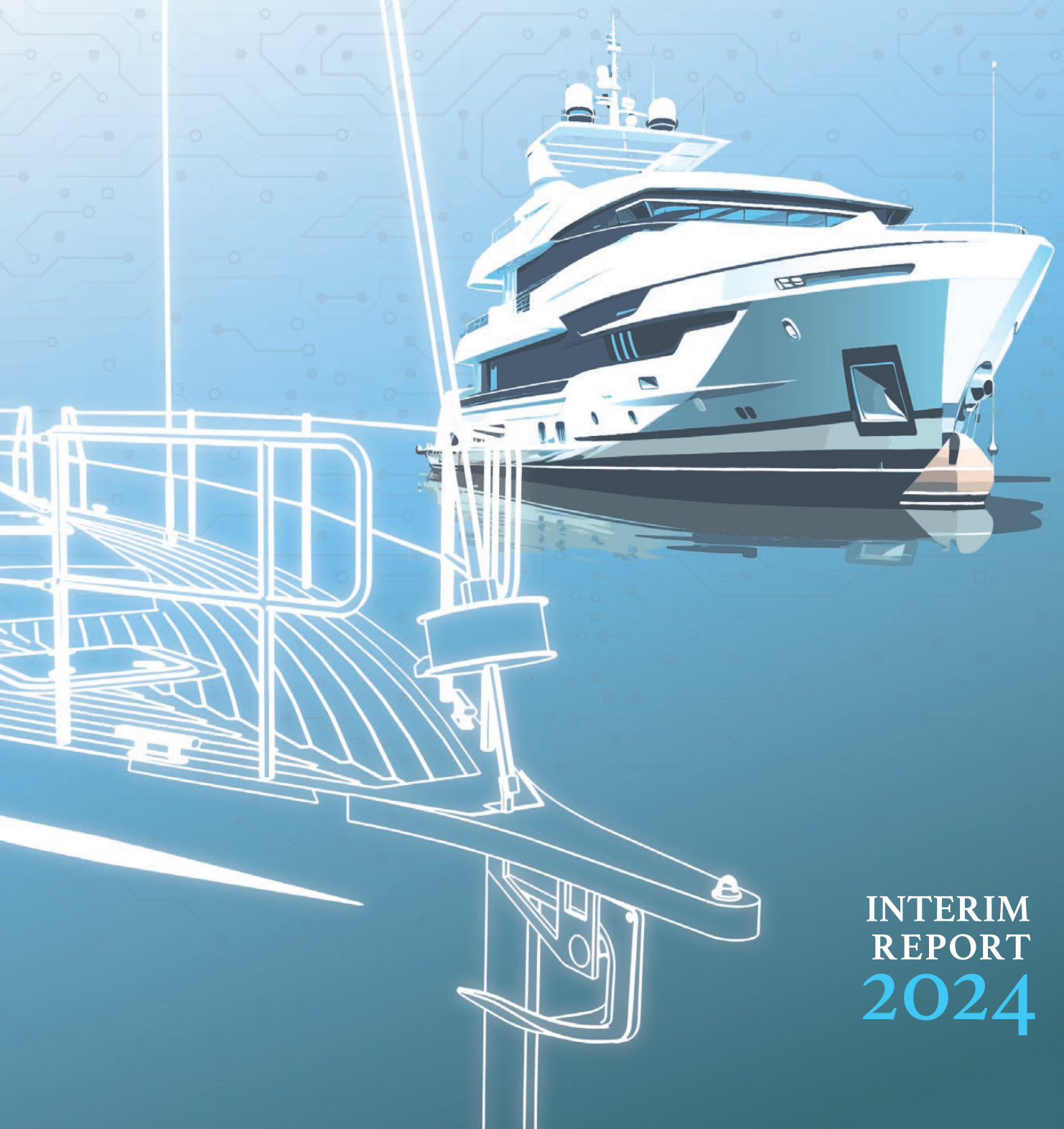
SKYBLUE 11
天璽曜11有限公司

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)



INTERIM
REPORT
2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Li Weina
Dr. Zhang Yu
Mr. Zhang Fumin ^{Note 1}

Independent Non-Executive Directors

Ms. Ching Ching
Dr. Song Donglin
Dr. Zhang Shengdong ^{Note 1}

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching (*Chairman*)
Dr. Song Donglin
Dr. Zhang Shengdong ^{Note 2}

Nomination Committee

Dr. Song Donglin (*Chairman*)
Ms. Ching Ching
Dr. Zhang Shengdong ^{Note 2}

Remuneration Committee

Dr. Song Donglin (*Chairman*)
Ms. Ching Ching
Dr. Zhang Shengdong ^{Note 2}

COMPANY SECRETARY

Ms. Li Yuen Shan ^{Note 3}
Mr. Lam Wai Kei ^{Note 4}

STOCK CODE

1010

WEBSITE

www.skyblue11.com

AUDITOR

Prism Hong Kong Limited
(formerly known as Prism Hong Kong and
Shanghai Limited)
Certified Public Accountants

LEGAL ADVISOR

Raymond Siu & Lawyers

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre,
11 Duddell Street, Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

Notes:

1. Retired with effect from 6 June 2024
2. Ceased with effect from 6 June 2024
3. Appointed with effect from 4 June 2024
4. Terminated with effect from 4 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Sky Blue 11 Company Limited (formerly known as “Balk 1798 Group Limited”) (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated interim results of the Company for the six months ended 30 June 2024 which has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS REVIEW

For the six months ended 30 June 2024, the Group principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management services; and (iii) manufacturing and sales of yachts and other yachts related businesses.

Looking at 2024, it became evident that the recovery period from the COVID-19 pandemic was unexpectedly prolonged, resulting in an economic recession in major economies. The downward trend in the economy throughout the entire year of 2023 was extremely difficult to sustain or survive for many industries. While facing uncertainties on the economic outlook, the customers’ purchasing power as well as the consumption sentiment experienced a continuous decline, particularly in the consumption products and luxury goods. As a result, the financial performance, especially in the business segments of the executive jet management and yacht businesses of the Group, was inevitably affected.

In response to the complicated and unpredictable business environment in the first half of 2024, the Group adopted a prudent approach by closely monitoring its business portfolio and implementing various decisive measures to reform. Objectives of these measures were (i) to maintain the core business that can create reliable returns with competitive advantages; (ii) to exit from businesses that have not met expectations or might require further input from the Group; and (iii) to continuously seek opportunities that can enhance the Group’s revenue bases and profitability. Due to the downturn of the economy in Hong Kong and the People’s Republic of China (the “**PRC**”) in 2024, no yacht was sold during the six months ended 30 June 2024. As a result, the Group recorded a revenue of approximately HK\$16.0 million for the six months ended 30 June 2024, representing a decrease of 84.3% compared to the revenue of approximately HK\$101.7 million for the six months ended 30 June 2023.

Nevertheless, the Management will consistently reinforce the Group’s competitive advantages, strengthen its market position and drive growth across the existing businesses of the Group. Such measures include but not limited to stringent cost controls on the business of integrated circuits and semi-conductor parts, platform building on the business of executive jet management services and active marketing and branding in the yacht businesses.

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



MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

For the six months ended 30 June 2024, design and distribution of integrated circuit and semi-conductor parts in the PRC, Hong Kong and Taiwan remained as one of the important part of the businesses of the Group. The Group acquires raw material integrated circuit (“IC”) and semi-conductor related parts from external suppliers and applies internet technology and related equipment for the design of IC related products before outsourcing to external sub-contractors for production. The Group is not involved in the manufacturing processes.

The Group’s IC products are used in industrial and housing measuring tools and electronic bicycles battery charger market. The core research and development team in Shanghai provides the design of the products and the products are then outsourced to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in Shanghai, the Group then sells the products to customers, which are usually end-product manufacturers/producers.

For the six months ended 30 June 2024, this segment recorded a revenue of approximately HK\$16.0 million and a segment loss of approximately HK\$0.2 million while a revenue of approximately HK\$12.9 million and a segment loss of approximately HK\$1.0 million were recorded for the six months ended 30 June 2023.

Executive jet management

Services provided by the Group mainly include executive jet management service, aircraft sales service and pilot training service. The Management adopted a customer-oriented strategy and focused on improving the service quality, as well as expanding the service categories, with an aim to build up competitive advantages to tackle with external competitions.

During the six months ended 30 June 2024, the commercial airline industry experienced a revival due to the release of travel restrictions, resulting in increased passenger demand. On the other hand, the executive jet industry encountered ongoing challenges arising from the prolonged COVID-19 pandemic. Following the COVID-19 pandemic, businesses as well as individuals who previously utilized executive jets began to return to commercial airlines as health and safety concerns diminished. They may also opt for virtual meetings and remote work arrangement. The changing preferences in travel behavior reduced the demand for executive jet services. As a result, nil revenue and a segment loss of approximately HK\$0.03 million were recorded for the six months ended 30 June 2024 while nil revenue and a segment loss of approximately HK\$0.06 million were recorded for the six months ended 30 June 2023.

The Group will adopt prudent approach in assessing the development in executive jet management business and seek potential opportunities within the industry. While pursuing opportunities, the Group will also exercise cautious approach in allocating its limited resources. It will prioritise its core businesses that have higher profit margins and to generate better results to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Yacht businesses

The Group commenced to look for business opportunities in the yacht businesses since 2019 by entering into a non-exclusive agency agreement with an independent third party to sell 46-meter super yachts and 110-foot catamarans. In late 2020, the Group noticed excellent growth potential in the yacht industry, especially under the consideration that (i) the yacht consumption or investment was getting more recognition among the affluent class; (ii) construction of the relevant facilities, such as yacht harbor and yacht club, had made yacht consumption more feasible and appealing; and (iii) customers had preference to well-branded yachts with world-wide presence, which offered more opportunities to the Group. As such, the Management was of the view that it would be beneficial for the Group to deploy additional resources to expand the yacht businesses.

The Group made a strategic move in 2021 by establishing a production facility in Hainan, the PRC, where labour and material costs were relatively low. It provides the Group with flexibility in cost control and allows the Group to benefit from a much more competitive cost base comparing to other overseas yacht manufacturers. The relatively lower manufacturing costs in the PRC combined with the centuries-old Balk brand and the sophisticated technologies from the Netherlands, the Group will be able to deliver high quality yachts at a competitive price.

Having considered the potential market growth in the yacht industry, the Group is ambitious and intends to allocate more resources to expand its business development in the manufacturing and sales of yachts and other yachts related businesses. On 7 November 2023, the Group entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Balk Beheer B.V., a company incorporated in the Netherlands. Pursuant to the MOU, the Company intends to acquire, and Balk Beheer B.V. intends to dispose of, the entire issued share capital of its subsidiary, namely B&W Beleggingen B.V. which holds the lease rights for a building plot in a new harbour known as “Maritieme Servicehaven Noordelijke Flevoland” (“**MSNF**”). MSNF is a new port which has secured support from the local government. It is a port that will focus on international maritime services.

The Group intends to invest in the development of MSNF, including the construction of a new shipyard at MSNF, through the proposed acquisition of B&W Beleggingen B.V. The intended uses of the new shipyard include manufacturing superyachts and conducting refitting work. Furthermore, the Group will continue to prioritise and expand its operations in the sales of superyachts, provision of after-sales services, luxury yacht rentals, onboard entertainment, and yacht tourism.

During the year ended 31 December 2022, the Group signed a number of sales agreements with independent third parties to sell, in aggregate, nine 46-meter super yachts. In May 2023, due to its own financial difficulties, one of the customers cancelled its purchase order for five 46-meter super yachts. The purchase deposits of RMB79 million were instead utilised by that customer to purchase a second hand refitted 46-meter super yacht, which was then delivered to the customer during the year ended 31 December 2023. The remaining four super yachts were still under construction and outfitting throughout the six months ended 30 June 2024. No yacht was sold during the six months ended 30 June 2024.

As a result, nil revenue and segment loss of approximately HK\$14.3 million were recorded for the six months ended 30 June 2024, while revenue of approximately HK\$88.8 million and segment profit of approximately HK\$12.7 million were recorded for the six months ended 30 June 2023.

Moving forward, the Group will actively promote its yacht offerings, leveraging on the reputable brand and highlighting the unique features and advantages of its super yachts in order to generate sales growth in the yacht business segment. In addition, the Management will consistently and closely monitor the performance of the yacht business to formulate feasible and profitable long-term strategies.



MANAGEMENT DISCUSSION AND ANALYSIS

Property investment

The Group possessed a leasehold interest in a land parcel on the Island of Saipan, with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of these properties on the Island of Saipan was approximately 1,953 square meters comprising six apartment buildings with an aggregate of 31 apartment units.

The economy of the Island of Saipan depends heavily on tourism which was adversely affected by the COVID-19 pandemic. The local government has been working on resumption of its tourism industry since 2021 and it is expected the economy will be moderately recovered. Since the local real estate market on the Island of Saipan was recovering from the economic downturn resulting from the COVID-19 pandemic, the Management adopted a passive and prudent investment strategy for this business segment for the six months ended 30 June 2024. Nil revenue was recorded for each of the six months ended 30 June 2024 and 2023. The Group would consider and explore different options in realising the investment potential of the properties, such as leasing or sales based upon the market situation.

Investment holding

For the six months ended 30 June 2024, the Group had the following investments:

- 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities. Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and is principally engaged in securities dealing business in Hong Kong. As at 30 June 2024, the investment in Cornerstone Securities has a fair value of approximately HK\$4.4 million (31 December 2023: approximately HK\$4.4 million), representing approximately 1.2% of the total assets of the Company (31 December 2023: 1.2%).
- 202 unlisted shares of Red Power Developments Limited ("**Red Power**"), a company incorporated in the British Virgin Islands with limited liability, representing 20.2% of the entire issued capital of Red Power. Through its subsidiaries, Red Power is principally engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC. The Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised during the year ended 31 December 2021. For more details, please refer to the announcement of the Company dated 28 November 2022 and annual report 2021 of the Company.

For the six months ended 30 June 2024, (i) no acquisition or disposal of the investment in Cornerstone Securities and Red Power was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities and Red Power was received or claimed. The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

For the six months ended 30 June 2024, the reform of the business portfolio and strategic approaches implemented by the Management have empowered the Group to effectively mitigate the external challenges and uncertainties arising from the prolonged COVID-19 pandemic and subsequent post COVID-19 era. These initiatives enabled the Group to position itself to adapt to the ever-changing market dynamics and seize opportunities for growth.

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

To align with the business strategies of the Group, new measures or strategies may be formulated or implemented from time to time, depending on the availability and feasibility of the then opportunities. The Management is confident that the responsive measures will allow the Group to deploy its resources into businesses with promising future, and will therefore enhance its revenue base and create long-term profitability.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group achieved a revenue of approximately HK\$16.0 million (six months ended 30 June 2023: approximately HK\$101.7 million). The revenue was principally contributed by the Group's core businesses which were design and sales of integrated circuit and semiconductor parts.

Operating expenses

Operating expenses, comprising selling and distribution costs and general and administrative expenses, was approximately HK\$35.3 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$32.5 million). Such increase was mainly attributed to the impairment losses of trade and bills receivables of approximately HK\$12.0 million, which was related to the trade receivables arising from sales of a yacht in 2023. Such increase was netted off by the effect of decrease in selling and distribution costs due to substantially less agency fee related to sales of yachts incomes in 2024.

Loss for the period

For the six months ended 30 June 2024, loss for the period attributable to owners of the Company was approximately HK\$24.1 million (six months ended 30 June 2023: approximately HK\$0.9 million). The increase in loss was mainly attributable to nil revenue contributed by the yacht businesses during the six months ended 30 June 2024 and the impairment loss of the aforementioned trade receivables. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK\$5.51 cents (six months ended 30 June 2023: approximately HK\$0.25 cents).



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the cash in banks of the Group amounted to approximately HK\$67.7 million (31 December 2023: approximately HK\$69.1 million), in which a cash deposit of approximately RMB43.4 million, equivalent to approximately HK\$46.5 million, maintained in one of the bank accounts of the Group was frozen as a result of a ruling in respect of preservation of frozen accounts issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023 (the "**Ruling**"). Such Ruling was against one of the suppliers of the Group, namely Liaoning Jinlong Mega Yacht Manufacturing Co. Limited, for its failure to repay a loan borrowed from a bank in the PRC. For more details, please refer to the announcement of the Company dated 28 April 2023 and note 16 to the unaudited condensed consolidated financial statements in this interim report (31 December 2023: HK\$47.5 million). As of the date of this report, the Group's legal adviser is still dealing with the above-mentioned matters, and there is no new progress for the time being.

The Group had no outstanding loan as at 30 June 2024 (31 December 2023: nil).

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.92 as at 30 June 2024, as compared to 0.88 as at 31 December 2023.

On 22 December 2023, the Group entered into a placing agreement with a placing agent to place up to 74,049,028 new shares under the general mandate. On 17 January 2024, the placing of new shares under general mandate of the Company was completed. An aggregate of 74,049,028 placing shares, representing approximately 16.67% of the issued share capital of the Company as at the date of this Interim Report, have been successfully placed to no less than six placees at the placing price of HK\$0.56 per placing share. Please refer to the announcements of the Company dated 22 December 2023 and 17 January 2024 for more details. The net proceeds from the placing, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) amounted to approximately HK\$40.0 million. All the net proceeds from the placing has been fully utilized for the purposes of general working capital of the Group during the six months ended 30 June 2024.

Save for the above, the Group had no fund-raising activities during the six months ended 30 June 2024.

FOREIGN CURRENCY EXPOSURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

For the six months ended 30 June 2024, there was no change to the authorised share capital of the Company. As at 1 January 2024 and 30 June 2024, the Company had 370,245,142 issued shares and 444,294,170 issued shares with the par value of HK\$0.1 each respectively. All shares were fully paid up and rank pari passu with each other in all respects. Please refer to note 19 to the unaudited condensed consolidated financial statements in this interim report for the movement of the share capital of the Company.

As at 30 June 2024, the total equity amounted to approximately HK\$10.8 million (31 December 2023: shareholders' deficiency of approximately HK\$3.0 million).

PLEDGE OF ASSETS

As at 30 June 2024, the Group did not have any pledge of assets (31 December 2023: nil).

TRANSACTIONS AFTER THE REPORTING PERIOD

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

NO OTHER MATERIAL CHANGE

Save as disclosed in this interim report, there was no material change in the Group's financial position or business since the publication of the latest annual results of the Company for the year ended 31 December 2023.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2024 (31 December 2023: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 47 employees (31 December 2023: 42 employees). For the six months ended 30 June 2024, total employee benefits expenses, including Directors' emoluments, amounted to approximately HK\$14.8 million (six months ended 30 June 2023: HK\$17.3 million). The remuneration packages of employees were reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages included basic salaries, bonus, contributions to provident fund and medical benefits.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2024, the Company has complied with the principles as set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong, Limited (the “**Stock Exchange**”) and complied with the code provisions contained therein except for the following deviations:

Following the retirement of Dr. Zhang Shengdong as an independent non-executive Director, a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 6 June 2024 upon conclusion of the annual general meeting of the Company held on 6 June 2024, the Company only had two independent non-executive Directors, namely Ms. Ching Ching (“**Ms. Ching**”) and Dr. Song Donglin (“**Dr. Song**”), and failed to meet the requirements of having: (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rule; and (b) the audit committee of the Company comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

Pursuant to code provision C.1.6 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Our former independent non-executive Director, Dr. Zhang Shengdong was unable to attend the special general meeting of the Company held on 11 January 2024, and our independent non-executive Director, Ms. Ching Ching was unable to attend the annual general meeting of the Company held on 6 June 2024, due to other business commitments.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest development.

NON-COMPLIANCE WITH RULE 3.10(1) AND RULE 3.21 OF THE LISTING RULES

During the six months ended 30 June 2024, the Company failed to comply with Rule 3.10(1) and Rule 3.21 of the Listing Rules, details of which are set out in the paragraph headed “CORPORATION GOVERNANCE PRACTICES” above. The Company is now identifying suitable candidate for taking up the directorship.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

Subsequent to the passing of a special resolution approving the proposed change of the company name by the shareholders of the Company at the special general meeting held on 11 January 2024, the Certificate of Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies of Bermuda, certifying that the name of the Company has been changed from “Balk 1798 Group Limited” to “SKY BLUE 11 Company Limited” and the secondary name of the Company has been changed from 「巴克1798集團有限公司」 to 「天壘曜11有限公司」, respectively, with effect from 17 January 2024.

The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 21 February 2024 confirming the registration of the Company's new English name of "SKY BLUE 11 Company Limited" and new Chinese name of 「天藍曜11有限公司」 in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) with effect from that date.

Following the change of company name, the stock short name of the Company for trading in the shares of the Company on the Stock Exchange has been changed from "BALK 1798 GP" to "SKY BLUE 11" in English and from 「巴克1798集團」 to 「天藍曜11」 in Chinese simultaneously with effect from 5 April 2024. For more details, please refer to the announcement of the Company dated 27 March 2024.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors and chief executives from 1 January 2024 to the date of this report are set out as below:

- (i) On 6 June 2024, the proposed ordinary resolutions for the re-election of Mr. Zhang Fumin ("**Mr. Zhang**") and Dr. Zhang Shengdong ("**Dr. Zhang**") were not passed at the annual general meeting. Accordingly, Mr. Zhang has retired as an executive Director and Dr. Zhang has retired as an independent non-executive Director of the Company with effect from 6 June 2024. Dr. Zhang has also ceased to be a member of each of the audit committee, nomination committee and remuneration committee of the Company. Further details were disclosed in the Company's announcement dated 6 June 2024; and
- (ii) On 7 June 2024, the Board of the Company has resolved to suspend Mr. Lam Fuk Tak ("**Mr. Lam**"), the chief executive officer (the "**CEO**"), from his duties and powers in the Company since, due to unknown reason, Mr. Lam has not attended office of the Company to fulfil his work duties since mid-May 2024. The executive Directors temporarily and collectively perform the duties and powers of CEO. Further details were disclosed in the Company's announcements dated 7 June 2024 and 17 June 2024. The Company has not received any response from Mr. Lam in respect of the Company's enquiries and correspondences to him regarding his absence. Mr. Lam's employment with the Company for the position of CEO was deemed to have been terminated with effect from 14 May 2024. For details, please refer to the Company's announcement dated 15 August 2024.

CHANGE OF ADDRESS OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 1 August 2024, the address of the principal place of business in Hong Kong of the Company has been changed to Unit 1802, 18/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules to regulate the Directors’ securities transaction. Specific enquiries had been made to all the Directors and the Directors had confirmed that they had complied with the Model Code for the six months ended 30 June 2024.

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

As at 30 June 2024, none of the directors’ and chief executives has any interests or short positions of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

Name of Substantial Shareholders	Capacity/nature	Number of shares/ underlying shares held/interested in	Long/short position	Percentage of shareholding <i>(Note 1)</i>
Duan Hongtao <i>(Note 2 and Note 3)</i>	Interested in controlled corporation(s)	52,321,012	Long	11.78%
Zhongying Int’l <i>(Note 2)</i>	Beneficial Owner	52,321,012	Long	11.78%
Arrab Chalid	Interested in controlled corporation(s)	68,500,000	Long	15.42%
LLOYDS INVESTMENT GROUP FZCO <i>(Note 4)</i>	Beneficial Owner	68,500,000	Long	15.42%

Notes:

1. Based on 444,294,170 ordinary shares of the Company in issue as at 30 June 2024.
2. As at 30 June 2024, Mr. Duan Hongtao owned 99% of the issued shares of Zhongying Int'l which beneficially owned 56,867,012 shares of the Company.
3. Mr. Duan Hongtao resigned as an executive Director and Chairman of the Company with effect from 14 February 2022.
4. On 15 September 2022, Zhongying Int'l transferred a total of 68,500,000 shares of the Company to LLOYDS INVESTMENT GROUP FZCO.

As at 30 June 2024 and save as disclosed in this interim report, there was no interest and short position in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2024.

SHARE SCHEME

As at 1 January 2024 and 30 June 2024, the Company did not have any share scheme.

AUDIT COMMITTEE

The Audit Committee comprised two independent non-executive Directors, namely Ms. Ching Ching (chairman) and Dr. Song Donglin. The Group's interim results for the six months ended 30 June 2024 have been reviewed by the Audit Committee.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	4	15,957	101,689
Cost of sales		(4,629)	(65,961)
Gross profit		11,328	35,728
Other income and gains, net	5	61	263
Selling and distribution costs		–	(5,555)
General and administrative expenses		(35,286)	(26,941)
Finance costs	6	(229)	(48)
(LOSS)/PROFIT BEFORE TAX	7	(24,126)	3,447
Income tax expense	8	–	(4,373)
LOSS FOR THE PERIOD		(24,126)	(926)
Attributable to:			
Owners of the Company		(24,126)	(926)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	9	(5.51)	(0.25)
Dividend	10	–	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(24,126)</u>	<u>(926)</u>
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(2,303)</u>	<u>(8,626)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(2,303)</u>	<u>(8,626)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(26,429)</u>	<u>(9,552)</u>
Attributable to:		
Owners of the Company	<u>(26,429)</u>	<u>(9,552)</u>



CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,768	1,918
Investment properties		28,901	28,901
Right-of-use assets		3,616	4,888
Investment in an associate		–	–
Equity investments designated at fair value through other comprehensive income	12	4,360	4,360
Deferred tax assets		344	354
Long-term deposits	14	1,049	1,052
Total non-current assets		40,038	41,473
CURRENT ASSETS			
Finance lease receivable		–	–
Inventories		147,139	149,428
Trade and bills receivables	13	82,454	93,852
Prepayments, other receivables and other assets	14	13,597	7,600
Loans receivables		–	–
Financial assets at fair value through profit or loss	15	67	67
Tax recoverable		150	152
Cash and cash equivalents	16	67,684	69,107
Total current assets		311,091	320,206
CURRENT LIABILITIES			
Trade payables	17	101,089	101,089
Other payables and accruals	18	22,049	12,134
Lease liabilities		2,562	3,495
Amount due to a shareholder		204,638	237,530
Tax payable		8,416	8,420
Total current liabilities		338,754	362,668
NET CURRENT LIABILITIES		(27,663)	(42,462)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,375	(989)
NON-CURRENT LIABILITIES			
Lease liabilities		1,560	1,990
NET ASSETS/(LIABILITIES)		10,815	(2,979)
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	44,429	37,025
Other reserves		133,371	102,855
Accumulated losses		(166,985)	(142,859)
Total equity/(Capital deficiency)		10,815	(2,979)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total equity/ (capital deficiency) HK\$'000
Balance at 1 January 2023 (Audited)	37,025	106,552	(96,412)	47,165
Loss for the period	-	-	(926)	(926)
Other comprehensive loss for the period:				
Exchange differences on translation	-	(8,626)	-	(8,626)
Total comprehensive loss for the period	-	(8,626)	(926)	(9,552)
Balance at 30 June 2023 (Unaudited)	37,025	97,926	(97,338)	37,613
Balance at 1 January 2024 (Audited)	37,025	102,855	(142,859)	(2,979)
Loss for the period	-	-	(24,126)	(24,126)
Other comprehensive loss for the period:				
Exchange differences on translation	-	(2,303)	-	(2,303)
Total comprehensive loss for the period	-	(2,303)	(24,126)	(26,429)
Placing of new shares (Note a)	7,404	34,063	-	41,467
Transaction costs attributable to placing of new shares (Note a)	-	(1,244)	-	(1,244)
Balance at 30 June 2024 (Unaudited)	44,429	133,371	(166,985)	10,815

Note:

- (a) On 22 December 2023, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place of a maximum of 74,049,028 placing shares to independent investors at a price of HK\$0.56 per share. The placing was completed on 17 January 2024 pursuant to which the Company has allotted and issued 74,049,028 placing shares. The net proceeds derived from the placing amounted to approximately HK\$40,223,000 and resulted in the increase in share capital of approximately HK\$7,404,000 and share premium of approximately HK\$34,063,000, net of transaction costs of approximately HK\$1,244,000.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	<u>(37,814)</u>	<u>1,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	26	37
Increase in cash in frozen bank accounts	<u>-</u>	<u>(46,795)</u>
Net cash used in investing activities	<u>26</u>	<u>(46,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,579)	(406)
Proceeds from placing of new shares	41,467	-
Transaction costs attributable to placing of new shares	<u>(1,244)</u>	<u>-</u>
Net cash from/(used in) financing activities	<u>38,644</u>	<u>(406)</u>
Net decrease in cash and cash equivalents	856	(45,187)
Cash and cash equivalents at 1 January	69,107	104,326
Effect of foreign exchange rate changes, net	<u>(2,279)</u>	<u>(694)</u>
Cash and cash equivalents at 30 June	<u><u>67,684</u></u>	<u><u>58,445</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Sky Blue 11 Company Limited (the “**Company**”) was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business change from Suite 6504, 65/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the period, the Company and its subsidiaries (collectively referred hereinafter as the “**Group**”) were principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts, (ii) executive jet management services, and (iii) manufacturing and sales of yachts and other yacht related businesses.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The basis of preparation and accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023, except in relation to the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

4. OPERATING SEGMENT INFORMATION

For management's purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools and display products ("**Design and sales of integrated circuits**");
- (ii) executive jet management services ("**Executive jet management**");
- (iii) manufacturing and sales of yachts and other yacht related businesses ("**Yacht businesses**");
- (iv) property investment; and
- (v) the "Headquarter and others" segment comprises principally the Group's corporate administrative and investment functions performed by headquarter and provision of finance lease services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits (Unaudited) HK\$'000	Executive jet management (Unaudited) HK\$'000	Yacht businesses (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Headquarter and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended						
30 June 2024						
Revenue from external customers	15,957	-	-	-	-	15,957
Operating (loss)/profit	(168)	(30)	(14,331)	(30)	(9,593)	(24,152)
Interest income	19	-	-	-	7	26
Loss before income tax	(149)	(30)	(14,331)	(30)	(9,586)	(24,126)
Income tax credit/(expense)	-	-	-	-	-	-
Loss for the period	(149)	(30)	(14,331)	(30)	(9,586)	(24,126)
Other segment information:						
Depreciation of property, plant and equipment	86	-	-	-	47	133
Depreciation of right-of-use assets	291	-	176	-	796	1,263
Impairment of financial assets	-	-	11,996	-	-	11,996
As at 30 June 2024						
Segment assets	34,132	17,162	258,353	28,901	12,581	351,129
Segment liabilities	6,045	2,520	120,746	-	211,003	340,314

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	26	37
Sundry income	35	226
	<u>61</u>	<u>263</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	229	48
	<u>229</u>	<u>48</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cost of inventories sold*	4,629	65,961
Depreciation of property, plant and equipment	133	259
Depreciation of right-of-use assets	1,263	383
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	13,980	16,429
Pension scheme contributions	772	880
	14,752	17,309
Interest income	(26)	(37)
Impairment losses of trade and bills receivables#	11,996	–
	<u>11,996</u>	<u>–</u>

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

Included in "General and administrative expenses" in the condensed consolidated interim statement of profit or loss.

8. INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2,000,000 estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK\$2,000,000 during the period. Taxes on assessable profits for the subsidiaries in the People's Republic of China (the "PRC") are provided at the Enterprise Income Tax rate of 25%.

	For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current – Hong Kong	–	4,442
Overprovision in prior year		
– the PRC	–	(69)
	<u>–</u>	<u>(69)</u>
Total tax expense for the period	<u>–</u>	<u>4,373</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	(24,126)	(926)
	Number of shares	
	For the six months ended 30 June	
	2024	2023
	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	437,784	370,245
	HK cents	HK cents
Basic and diluted loss per share	(5.51)	(0.25)

The Company has not issued any potentially diluted ordinary shares during the periods ended 30 June 2024 and 2023.

10. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2024, the Group did not acquire any property, plant and equipment (six months ended 30 June 2023: nil).

12. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted investment, at fair value		
Cornerstone Securities Limited	4,360	4,360

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

13. TRADE AND BILLS RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	96,082	96,052
Loss allowance	(17,719)	(5,723)
	78,363	90,329
Bills receivables	4,186	3,618
Loss allowance	(95)	(95)
	4,091	3,523
Trade and bills receivables	82,454	93,852

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	123	81
More than 1 month but less than 3 months	22	34
More than 3 months	78,218	90,214
	78,363	90,329

Bills receivables

The maturity dates of the Group's bills receivables as at the end of the reporting period are as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	1,568	546
More than 1 month but less than 3 months	2,523	1,567
More than 3 months but less than 6 months	–	1,410
	4,091	3,523



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Deposits and other receivables	12,368	5,905
Prepayments	3,952	4,421
Loss allowance	(1,674)	(1,674)
	14,646	8,652
Less: non-current portion	1,049	1,052
Current portion	13,597	7,600

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Listed equity investments, at fair value	67	67

Balance represented equity shares listed in Hong Kong that are carried at fair value which are the quoted prices in an active market at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. CASH IN BANKS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Cash and cash equivalents	21,142	21,657
Cash in frozen bank accounts	46,542	47,450
Cash in banks	67,684	69,107

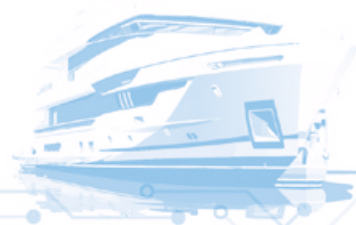
As at 30 June 2024, the cash in banks of the Group's subsidiary in the PRC denominated in Renminbi ("RMB") amounted to HK\$67,076,000 (31 December 2023: HK\$68,532,000). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. A cash deposit of approximately RMB43,437,000, equivalent to approximately HK\$47,450,000, maintained in one of the bank accounts of the Group was frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023 (the "**Ruling**"). Such Ruling was against one of the suppliers of the Group, namely Liaoning Jinlong Mega Yacht Manufacturing Co. Limited, for its failure to repay a loan borrowed from a bank in the PRC. For more details, please refer to the announcement of the Company dated 28 April 2023 (31 December 2022: nil). As of the date of this report, the Group's legal adviser is still dealing with the above-mentioned matter, and there is no new progress for the time being.

17. TRADE PAYABLES

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
More than 3 months	101,089	101,089
	101,089	101,089

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. OTHER PAYABLES AND ACCRUALS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Accruals	8,950	5,809
Contract liabilities (note (a))	846	846
Other payables (note (b))	<u>12,253</u>	<u>5,479</u>
	<u>22,049</u>	<u>12,134</u>

Notes:

(a) Details of contract liabilities are as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<i>Short-term advances received from customers</i>		
Sales of integrated circuits	<u>846</u>	<u>846</u>
	<u>846</u>	<u>846</u>

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

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

19. SHARE CAPITAL

	Number of shares '000	Share Capital HK\$'000
Authorised:		
At 1 January 2023, 31 December 2023 (Audited) and 30 June 2024 (Unaudited) (Ordinary share of HK\$0.1 each)	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2023, 31 December 2023 (Audited) and 1 January 2024 (Unaudited)	370,245	37,025
Placement of new shares on 17 January 2024 (note (a))	<u>74,049</u>	<u>7,404</u>
At 30 June 2024 (Unaudited)	<u>444,294</u>	<u>44,429</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. SHARE CAPITAL *(Continued)*

Notes:

- (a) On 22 December 2023, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 74,049,028 placing shares to independent investors at a price of HK\$0.56 per share. The placing was completed on 17 January 2024, pursuant to which the Company has allotted and issued 74,049,028 placing shares. The net proceeds derived from the placing amounted to approximately HK\$40,223,000 and resulted in the increase in share capital of approximately HK\$7,404,000 and share premium of approximately HK\$34,063,000, net of transaction costs of approximately HK\$1,244,000.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated interim financial information, the Group entered into the following material transactions with related parties during the six months ended 30 June 2024.

(a) Key management personnel compensation

Key management includes directors (executive and non-executive) and a senior management. The compensation paid or payable to key management for employee services is shown below:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Basic salaries and allowances and benefits in kind	<u>2,674</u>	<u>2,926</u>

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as disclosed in note 12 and 15 to the condensed consolidated financial information, all financial assets and liabilities of the Group as at 30 June 2024 and 31 December 2023 were financial assets and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash in banks, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, lease liabilities, trade and other payables, amount due to a shareholder approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the board of directors and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the board of directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of listed equity investments are based on quoted market prices.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement			Total HK\$'000
	Quoted prices in active markets Level 1 HK\$'000	Significant observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	
At 30 June 2024 (Unaudited)				
Equity investments designated at fair value through other comprehensive income	-	-	4,360	4,360
Financial assets at fair value through profit or loss	67	-	-	67
As at 31 December 2023				
Equity investments designated at fair value through other comprehensive income	-	-	4,360	4,360
Financial assets at fair value through profit or loss	67	-	-	67

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorised for issue by the board of directors of the Company on 30 August 2024.