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Yun Lee Marine Group Holdings Limited

潤利海事集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2682)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF SHARES

**Independent Financial Adviser to
the IBC and the Independent Shareholders**



THE ACQUISITION

On 13 January 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendors have conditionally agreed to sell the Shares, at the Consideration of HK\$23,800,000.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Vendor 2, being a director of certain subsidiaries of the Company, is a connected person of the Company at subsidiary level and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Agreement and the transaction contemplated thereafter exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The IBC (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder. The IFA has been appointed as the independent financial adviser to advise the IBC and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to pass the resolutions to approve the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the IBC to the Independent Shareholders; (iii) the letter of advice from the IFA to the IBC and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules, is expected to be despatched by the Company to the Shareholders on or before 8 February 2023.

Shareholders and potential investors should note that completion of the Acquisition is subject to the satisfaction of the Conditions Precedent (as defined below) and Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.

INTRODUCTION

The Board (the “**Board**”) of directors (the “**Director(s)**”) of Yun Lee Marine Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 13 January 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendors have conditionally agreed to sell the Shares of Yun Lee (Tim Kee) Marine Construction Limited (the “**Target Company**”), at the Consideration of HK\$23,800,000 (the “**Acquisition**”). The Target Company owns 75 ordinary shares of Yun Lee (Tim Kee) — U-Tech Joint Venture Limited.

THE AGREEMENT

The principal terms of the Agreement are set out as below:

Date

13 January 2023

Parties

Purchaser: UNIVERSAL MARINE SERVICES LIMITED, an indirect wholly owned subsidiary of the Company (the “**Purchaser**”)

Vendors: CHAN SHING LAM (“**Vendor 1**”)
CHOW WAI MING (“**Vendor 2**”)
(together, the “**Vendors**”)

Subject matter

The Shares, representing 34% of the entire issued and paid up share capital of the Target Company, will be sold free from all charges, liens and other encumbrances and together with all rights as at or after the date of the Agreement attaching to them, on and subject to the terms and conditions of the Agreement.

Consideration

The Consideration is HK\$23,800,000. Deposit shall be payable by cheque by the Purchaser to the Vendor upon entering into the Agreement. HK\$2,975,000 shall be payable by cheque by the Purchaser to Vendor 1 and HK\$2,975,000 shall be payable by cheque to Vendor 2 on Completion Date. The Consideration is determined with reference to 34% Profit Guarantee of the Target Company. The Purchaser and Vendor 1 and Vendor 2 will enter into the Promissory Note on the Completion Date as settlement of the remaining balance of the Consideration.

Conditions Precedent

The Completion is conditional upon the satisfaction of the following conditions precedent (“**Conditions Precedent**”) 3 Business Days before Completion:

- (a) the passing of the necessary resolution(s) by the shareholders of the Purchaser (other than those who are required to abstain from voting under the Listing Rules and the applicable laws, rules and regulations) in general meeting to approve the Agreement and the transactions contemplated in or incidental to the Agreement and the implementation thereof;

- (b) any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or agencies in Hong Kong or elsewhere (including but not limited to the Stock Exchange) with regards to the transaction contemplated under the Agreement has been obtained and such approval, consent and/or waiver has not been withdrawn; and
- (c) the obtaining of waiver of pre-emption right by the remaining shareholder of 49 shares.

None of the above Conditions Precedents are capable of being waived by the Vendors and the Purchaser may waive all of the above Conditions Precedents.

In the event the Conditions Precedents are not satisfied or waived (as the case may be) on or before 31 March 2023, the Purchaser and the Vendors may terminate the Agreement by giving written notice to the other Party. Each of the Vendors shall refund the Deposit to the Purchaser within 14 days after the date of the written notice or 31 March 2023, whichever is earlier.

Profit Guarantee

Each of the Vendors severally guarantees that the aggregate audited net profits attributable to the owners of the Target Company for the financial years ending 31 March 2024, 2025 and 2026, prepared in accordance with Hong Kong Financial Reporting Standard, shall not be less than HK\$70,000,000.

In the event that the Target Company fails to meet the Profit Guarantee, then each of the Vendors severally undertakes to pay 17% of such shortfall in immediate available funds to the Purchaser within 30 days after the audited financial statement for the financial year ending 2026 is issued by the auditors of the Target Company. Each of the Vendors will be severally responsible to indemnify and keep indemnified the Purchaser 17% of the amount of shortfall.

Completion

Completion shall take place on the Completion Date after all the Conditions Precedents are satisfied and/or waived (if applicable). Upon Completion, the Purchaser will be interested in approximately 51% of the issued share capital of the Target Company.

The Target Company will become a subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

Conditions Subsequent

Each of the Vendor acknowledges that the Purchaser is entering into this Agreement on the condition that the Sub-Contracts will not be revoked or discontinued prior to the completion dates as specified in the Sub-Contracts.

If for any reasons any of the Sub-Contracts is revoked or discontinued prior to the completion dates as specified in the Sub-Contracts, each of the Vendor hereby undertakes to jointly and severally compensate the Purchaser and its successors in title against any damages and loss of profit as a result of the revocation and discontinuance of the Sub-Contracts and the Purchaser shall have the unconditional right to terminate this Agreement.

INFORMATION OF THE PARTIES

Information of the Group and the Purchaser

The Purchaser is a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock code: 2682).

The Group is principally engaged in the provision of maritime services in Hong Kong including vessel chartering and related services and ship management.

Information of the Target Company

The Target Company is a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in marine construction and engineering services in Hong Kong.

As at the date of this announcement, the Target Company is held by the Purchaser, Vendor 1, Vendor 2 and a remaining shareholder as to 17%, 17%, 17% and 49% respectively.

Set out below is the summary of the unaudited financial information of the Target Company:

	For the years ended		For the
	31 March		six months
	2021	2022	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	30 September
	<i>(unaudited)</i>	<i>(unaudited)</i>	2022
			<i>HK\$'000</i>
			<i>(unaudited)</i>
Revenue	38,307	143,767	47,115
Profits/ (loss) before taxation	5,407	18,157	(26,624)
Profits/ (loss) after taxation	4,508	16,192	(23,657)
	As at 31 March		As at
	2021	2022	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
Total assets	42,813	74,257	79,606
Net assets/ (liabilities)	4,508	20,700	(2,957)

Information of the Vendors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor 1 and Vendor 2 each holds 1.00% and 3.05% of the issued share capital of the Company respectively.

Vendor 2, being a director of certain subsidiaries of the Company, is a connected person of the Company at subsidiary level. The original acquisition cost of 17% issued and paid up share capital of the Target Company was HK\$17.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition will bring commercial benefits to the Group for the following reasons:

The Group is principally engaged in the provision of maritime services in Hong Kong including vessel chartering and related services and ship management. The Group provides its vessel chartering and related services mainly to the marine construction contractors of several marine infrastructure projects in Hong Kong.

The Group has been actively seeking new business opportunities from time to time in order to diversify and expand its business while focusing on the continuous development of maritime related services and construction business.

The Target Company is committed to marine construction and engineering services in Hong Kong and has also been exploring other business opportunities for its strategic development.

The Acquisition is in line with the Group's strategies as it is expected that the Group can tap into marine construction and engineering business by acquiring the Target Company.

In addition, the Acquisition will be advantageous to the strategic development and investment performance of the Group. It will provide the Group with an opportunity to widen its investment scope and diversify its investment portfolio.

The Directors (excluding the IBC) consider that the terms of the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Shareholders as a whole. The opinion of the IBC will be included in the circular after having considered information contained in the circular and other information available.

None of the Directors has a material interest in the transactions completed under the Agreement, and therefore no Director is required to abstain from voting on the resolutions regarding such transaction at the board meeting.

THE LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Vendor 2, being a director of certain subsidiaries of the Company, is a connected person of the Company at subsidiary level and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Agreement and the transaction contemplated thereafter exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The IBC (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder. The IFA has been appointed as the independent financial adviser to advise the IBC and the Independent Shareholders in this regard.

GENERAL

An extraordinary general meeting of the Company (the “EGM”) will be convened for the Independent Shareholders to consider and, if thought fit, to pass the resolutions to approve the Agreement and the transactions contemplated thereunder. Vendor 1 and Vendor 2 each holds 1.00% and 3.05% of the issued share capital of the Company respectively and would therefore abstain from voting.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the IBC to the Independent Shareholders; (iii) the letter of advice from the IFA to the IBC and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules, is expected to be despatched by the Company to the Shareholders on or before 8 February 2023.

Shareholders and potential investors should note that completion of the Acquisition is subject to the satisfaction of the Conditions Precedent (as defined below) and Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

“Agreement”	means the sale and purchase agreement dated 13 January 2023
“Business Day(s)”	means any day on which banks in Hong Kong generally are open for clearing and settlement business, except a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Companies Ordinance”	means the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Completion”	means completion of the Agreement

“Completion Date”	means the 3rd Business Day after the date on which the last of the conditions precedent is fulfilled (or waived), or such other date as the Parties may agree in writing, on which Completion shall take place
“Consideration”	means the consideration for the Shares
“Debt”	means indebtedness of any kind (whether actual or contingent, present or future)
“Deposit”	means 25% of the Consideration
“Directors”	means the directors of the Company for the time being
“Encumbrance”	means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect
“HK\$”	means the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“IBC”	the committee of independent non-executive Directors, consisting of Mr. Liu Hon Por Francis, Ms. Hong Ting and Ms. Chan Hei Ting, which has been formed to advise the Independent Shareholders in relation to the Agreement and the transaction contemplated thereunder

“IFA”	Merdeka Corporate Finance Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time) to carry on Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transaction contemplated thereunder
“Independent Shareholders”	means Shareholders other than Vendor 1 and Vendor 2 who each holds 1.00% and 3.05% of the issued share capital of the Company respectively and would therefore abstain from voting
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Profit Guarantee”	means the several guarantees given by Vendors respectively
“Promissory Note”	means the promissory note given by the Purchaser to Vendor 1 and Vendor 2 in the amount of HK\$11,900,000 at an interest rate of 5% per annum with a maturity date of twelve (12) months from the Completion Date
“Purchaser’s Warranties”	means the representations, warranties and undertakings given by the Purchaser in the Agreement
“Shares”	means 34 shares held by the Vendors in the issued share capital of the Target Company
“Shareholder(s)”	means holder(s) of share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Sub-Contracts”

means the two subcontract agreements entered by the Company with China Harbour Engineering Company Limited and Build King — CRCC Harbour Joint Venture on 25 July 2022 and 17 March 2022 respectively

“Vendors’ Warranties”

means the representations, warranties and undertakings given by the Vendors in the Agreement

By order of the Board
Yun Lee Marine Group Holdings Limited
Wen Tsz Kit Bondy
Chairman and executive Director

Hong Kong, 13 January 2023

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Wen Tsz Kit Bondy and Ms. Chan Sau Ling Amy, and three independent non-executive Directors, namely Mr. Liu Hon Por Francis, Ms. Chan Hei Ting and Ms. Hong Ting.