THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Yun Lee Marine Group Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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; PROPOSED RE-ELECTION OF DIRECTORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the IBC and the Independent Shareholders

MERDEKA 頒智

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 15 of this circular.

A letter from the IBC to the Independent Shareholders is set out on pages 16 to 17 of this circular.

A letter from IFA, containing its advice and recommendation to the IBC and the Independent Shareholders is set out on pages 18 to 31 of this circular.

The notice convening the EGM be held at 2:00 p.m. on Tuesday, 25 April 2023 at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

31 March 2023

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

"Acquisition"	means the acquisition of Shares of the Target Company and the transaction contemplated under the Agreement
"Agreement"	means the sale and purchase agreement dated 13 January 2023
"Board"	means the board of Directors
"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
"Company"	Yun Lee Marine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
"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
"EGM"	means an extraordinary general meeting of the Company to be held at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Tuesday, 25 April 2023 at 2:00 pm for the Independent Shareholders to consider, and if thought fit, approve the Agreement and the transactions contemplated thereunder

"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
"Enlarged Group"	means the Group and the Target Company upon Completion
"Group"	means the Company and its subsidiaries
"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" or "Independent Board Committee"	means the committee of independent non-executive Directors, consisting of 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"	means Merdeka Corporate Finance Limited, a licensed corporation under the SFO 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
"Latest Practicable Date"	24 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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"	means Universal Marine Services Limited, an indirect wholly owned subsidiary of the Company

"Purchaser's Warranties"	means the representations, warranties and undertakings given by the Purchaser in the Agreement
"SFO"	means securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time)
"Shareholder(s)"	means holder(s) of share(s) of HK$0.01 each in the share capital of the Company
"Shares"	means 34 shares held by the Vendors in the issued 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 Target Company with the main contractors
"Target Company"	means Yun Lee (Tim Kee) Marine Construction Limited
"Vendor 1"	means Chan Shing Lam
"Vendor 2"	means Chow Wai Ming
"Vendors"	means Vendor 1 and Vendor 2
"Vendors' Warranties"	means the representations, warranties and undertakings given by the Vendors in the Agreement

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)

Executive Directors:
Mr. Wen Tsz Kit Bondy
Ms. Chan Sau Ling Amy

Independent Non-executive Directors:
Ms. Chan Hei Ting
Ms. Hong Ting

Registered Office:
89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

Headquarter, head office and principal place of business in Hong Kong:
Flat D, 31/F., Billion Plaza II
10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong

31 March 2023

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcement of the Company dated 13 January 2023 in respect of, among other things, 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 the Target Company, at the Consideration of HK$23,800,000. The Target Company owns 75 ordinary shares of Yue Lee (Tim Kee) — U-Tech Joint Venture Limited.

The purpose of this circular is to provide you with, among other things:

(i) the particulars of the Agreement and the transactions contemplated thereunder; and

(ii) other information as required under the Listing Rules.

THE AGREEMENT

Date:	13 January 2023
Parties:	
Purchaser:	Universal Marine Services Limited, an indirect wholly owned subsidiary of the Company
Vendor:	Chan Shing Lam Chow Wai Ming

Subject matter to be acquired

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.

Pursuant to the Promissory Note to be entered by the Purchaser and Vendor 1 and Vendor 2 on the Completion Date, the Purchaser as the debtor promises to pay the principal of HK$11,900,000 and interest accrued at the rate of 5% per annum to the Vendors as the creditors in full. Remittance of the payments into the bank account designated by the Vendors shall be a good and effective discharge of the Purchaser's obligations to make the payment.

Basis of determination of Consideration

The Consideration of HK$23,800,000 is determined with reference to 34% Profit Guarantee of the Target Company in which the 34% Profit Guarantee of the Target Company is determined with reference to the contracted sum of the two Sub-Contracts in the total amount of HK$596,461,870.00. The guaranteed profit was determined based on: (i) the Target Company's historical net profit margin extracted from its management account (excluding expected credit loss expenses) for the year ended 31 March 2022 being 13%; and (ii) the contracted sums of work projects yet to complete under the two Sub-Contracts were approximately HK$540,000,000.00, which was extracted from the Target Company's record.

The two Sub-Contracts are legally binding agreements governed and construed in accordance with the laws of Hong Kong. The nature of services to be provided by the Target Company under the two Sub-Contracts is to carry out task order to be issued by the service manager under the main contracts, including but not limited to maintenance and repair of marine structures/facilities, seawalls, navigational channels and government/public piers in Hong Kong for the period commencing from 17 March 2022 to 16 March 2027 and 8 October 2021 to 5 January 2027 respectively pursuant to which the Hong Kong government is the employer of the main contracts of the two Sub-Contracts. The two Sub-Contracts commence on receipt of the main contractor's written instructions. Payment will generally be made within 14 days from the date of receipt of the payment from the employer under the main contracts.

The Target Company's recent financial results were considered, including the loss of HK$12.5 million for the six months ended 30 September 2022. Taking into account the commencements of the two Sub-Contracts have incurred significant upfront costs during the six months ended 30 September 2022, it is of the view that the business performance of the Target Company for the six months ended 30 September 2022 is not significant and that a single period of decrease in profit is not indicative of a trend. According to the historical financial performance of the Target Company, the Target Company recorded profits after tax for the year ended 31 March 2021 and 2022 was approximately HK$4.5 million and approximately HK$19.2 million respectively. The financial performance of the Target Company is considered quite stable. Regardless such decrease and loss were taken into account and was a factor in determining the Profit Guarantee.

On this basis, the Board is of the view that the guaranteed profit of HK$70 million was suitably determined when the contracted sum of the two Sub-Contracts in the total amount of HK$596,461,870.00 far exceeds the guaranteed profit of HK$70 million and the Vendors have given their personal undertakings on the revocation and discontinuance of the Sub-Contracts. Given that the Purchaser is acquiring 34% of the entire issued and paid up share capital of the Target Company, the Board considers that the Consideration of HK$23.8 million representing 34% Profit Guarantee of the Target Company was therefore fair and reasonable.

Conditions precedent

The Completion is conditional upon the satisfaction of the following conditions precedent 3 Business Days before Completion:

a) the passing of the necessary resolution(s) by the Independent Shareholders 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 precedent are capable of being waived by the Vendors and the Purchaser may waive all of the above conditions precedent. However, the purchaser confirmed that it will not waive conditions precedent (a) and (b).

If the conditions precedent set out above are not satisfied or waived (as the case may be) on or before 31 May 2023 (extended from 31 March 2023 by a letter of confirmation among the Purchaser and each of the Vendors), 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 May 2023 (extended from 31 March 2023), whichever is earlier.

Profit Guarantee

Each of the Vendors severally guarantees that the aggregate audited net profits attributible 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 is loss making or does not make a profit or 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.

The Company has conducted due diligence check on the Vendors prior to the entering of the Agreement. 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. Based on the market capitalization of the Company as at the date of the Agreement (i.e. closing price of HK$0.213 x 1,000,000,000 issued Shares), each of the Vendors' shareholdings are worth approximately HK$2,130,000 and HK$7,455,000 respectively. In addition, Vendor 1 and Vendor 2 owns land properties in Hong Kong (without mortgages), and Vendor 1 has advanced a sum of HK$19,100,000 to the Target Company which constitutes amount owed by the Target Company to Vendor 1. Besides, Vendor 2 has been employed by the Group for over 20 years and with a current annual salary of over HK$1,000,000. As each of the Vendors has undertaken to be severally responsible to indemnify and keep indemnified the Purchaser 17% of the amount of shortfall, it is of the view that the Company's interests in the Target Company are safeguarded as the Vendors own adequate assets to indemnify the Company in relation to potential amount of shortfall. Moreover, the Vendors will remain as directors and continue to participate in the operations of the Target Company after Completion. It is believed there is sufficient incentive for the Vendors to meet the Profit Guarantee.

Considered the two Sub-Contracts only set out the total sum of work projects during the contracted period, but do not set out timing of completion of each single work projects during the contracted period, instead of setting a profit guarantee for each of the three years ended 31 March 2026, the Company finds it more realistic to set an aggregate Profit Guarantee over a period of 3 years. The audited financial statements of the Target Company for the year ending 31 March 2026 will be issued in around September to October 2026.

The Company will publish further announcement(s) to inform the Shareholders whether the Profit Guarantee have been met and comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet the Profit Guarantee. The Company will also disclose whether the actual performance of the Target Company meet the Profit Guarantee in the next annual report as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

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.

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 Company's development plan of its existing maritime services business includes establishing strong partnerships with other companies in the maritime-related services and construction industry to strengthen the Company business's position in the market and conducting regular performance reviews to identify opportunities and areas for improvement. As at the Latest Practicable Date, the Board has no intention, understanding, negotiation or arrangement (concluded or otherwise) to dispose of, downsize or terminate any part of the Company's existing maritime services 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 Target Company operates with a business model that focuses on providing specialist services to clients that require marine construction capabilities. The business model of the Target Company involves the following:

1. Identification of opportunities: This involves building relationships with other partners in the industry and keeping up-to-date with industry trends and developments.

2. Bidding: This involves developing proposals and pricing models for specific projects.

3. Execution of work: Once the Target Company is awarded a contract/subcontract, the Target Company carries out the agreed-upon work, using its team of experts in marine construction and engineering to complete the project to the satisfaction of the clients.

4. Delivery: The Target Company delivers the completed project to the clients, ensuring that all specifications and requirements have been met.

Shek Kam Tim, the director holdings 49% of the Target Company, has over 30 years of experience and has a deep knowledge of the marine construction industry. Shek Kam Tim is responsible for soliciting customers and he has a proven track record of successfully identifying and securing new business opportunities for the Target Company.

The Target Company has entered into a loan to Shek Kam Tim amounted HK$3.07 million. The loan was being offered because Shek Kam Tim has made significant contributions to the Target Company over the years. The Target Company believed the loan was offered to support a valuable member of the organization and the Target Company was in a good financial position to provide it at the time when the loan was being granted. Shek Kam Tim has signed an undertaking to repay the loan fully by 30 September 2023.

The Target Company operates with a relatively low value of plant and equipment as compared to the contract sums as the Target Company usually only needs a particular type of machine for a specific project and it is more cost effective for the Target Company to rent or lease machines as needed to complete projects. The main asset of the Target Company is its construction vehicles which can last for many years with proper maintenance.

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.

As the Target Company will become a subsidiary of the Company upon Completion, to identify opportunities for growth and expansion, the Company has the following development plan on the Target Company:

1. Use the Target Company as a signatory: the Target Company has a good brand and reputation in the industry particularly after it has secured the high-value Sub-Contracts which indicates that the Target Company is capable of delivering high quality services, the Company plans to use it as a signatory to reinforce the brand and provide greater recognition among customers and suppliers.

2. Identify synergies and opportunities for growth: Once the Acquisition is completed, the Company plans to leverage the existing portfolio of the Target Company to develop the Company's existing service offerings that complement the Target Company's capabilities.

The Company's management has no relevant experience in marine contruction but has experience in offering vessels chartering services and providing plants and equipment to construction contractors and these services are integral to completing marine construction projects. Therefore, the Company is aiming to expand its business now to marine construction. The Company will retain the management and employees of the Target Company such that the existing marine construction projects and the development of new marine construction projects will not be disrupted. As at the Latest Practicable Date, the Company understands that it will not be required to make any capital injection in 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 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. None of the Directors has a material interest in the transactions contemplated under the Agreement, and therefore no Director is required to obtain from voting on the resolutions regarding such transaction at the board meeting.

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 Shek Kam Tim as to 17%, 17%, 17% and 49% respectively. Shek Kam Tim is an independent third parties of the Company and its connected persons.

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

	For the years ended 31 March		For the six months ended 30 September
	2021	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
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 30 September
	2021	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Total assets	42,813	74,257	79,606
Net assets/(liabilities)	4,508	20,700	(2,957)

GENERAL INFORMATION OF THE PARTIES

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 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.

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.

RE-ELECTION OF DIRECTOR

Pursuant to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

In accordance with the abovementioned Articles, Ms. Chan Hei Ying and Ms. Hong Ting shall hold the office of Directors until the EGM and, being eligible, offer themselves for re-election at the EGM.

The following are details of the Directors who will retire and, being eligible, offer themselves for re-election at the EGM.

Ms. Chan Hei Ting

Ms. Chan Hei Ting, aged 30, an independent non-executive Director, the Chairman of the Remuneration Committee of the Company, a member of the Audit Committee and Nomination Committee of the Company. She is primarily responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct.

Ms. Chan has practiced as a barrister-at-law in Hong Kong since 2019. Ms. Chan obtained her double-degree of Bachelor of Arts in English Studies and Bachelor of Education in English Language Education in 2015 and Degree of Juris Doctor in 2017 from The Chinese University of Hong Kong. Ms. Chan obtained Postgraduate Certificate in Laws in 2018 from The Chinese University of Hong Kong. She was called to the Bar in Hong Kong in 2019.

Ms. Chan has a broad-based civil practice, undertaking work in all aspects of contract, company, insolvency, land and employment disputes.

Ms. Chan has entered into a letter of appointment with the Company for a term of three years commencing from 30 December 2022 unless terminated by either party with one month's written notice, and she is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provision of the Articles.

Ms. Chan does not have any relationships with any Directors, senior management, substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Ms. Chan does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO.

Ms. Chan is entitled to a director's fee of HK$240,000 per annum which is determined by the Remuneration Committee of the Board from time to time having regard to the duties and responsibilities concerned.

Save as disclosed above, there is no other information relating to Ms. Chan to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter which needs to be brought to the attention of the Shareholders of the Company.

Ms. Hong Ting

Ms. Hong Ting, aged 36, an independent non-executive Director, the Chairman of the Audit Committee of the Company, a member of the Nomination Committee and the Remuneration Committee of the Company. She is primarily responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct.

Ms. Hong obtained a Bachelor of Business degree from The Chinese University of Hong Kong in 2008. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant (Practising) in Hong Kong. She worked for an international audit firm and has over 14 years of experience in accounting, auditing, taxation and financial consulting.

Ms. Hong is currently the managing director of a certified public accountants firm in Hong Kong. Ms. Hong is also currently an independent non-executive director of Wai Chun Bio-Technology Limited (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 660). She was a non-executive director of Alco Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 328) for the period from June 2022 to January 2023.

Ms. Hong has entered into a letter of appointment with the Company for a term of three years commencing from 9 January 2023 unless terminated by either party with one month's written notice, and she is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provision of the Articles.

Ms. Hong does not have any relationships with any Directors, senior management, substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Ms. Hong does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO.

Ms. Hong is entitled to a director's fee of HK$240,000 per annum which is determined by the Remuneration Committee of the Board from time to time having regard to the duties and responsibilities concerned.

Save as disclosed above, there is no other information relating to Ms. Hong to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter which needs to be brought to the attention of the Shareholders of the Company.

EGM

The EGM will be convened and held at 2:00 p.m. on Tuesday, 25 April 2023 to be held at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kongfor the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

The register of members of the Company will be closed from Thursday, 20 April 2023 to Tuesday, 25 April 2023, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than Wednesday, 19 April 2023.

As at the Latest Practicable Date, 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 and would not be counted in the quorum. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and is therefore required to abstain from voting at the EGM for the relevant resolutions.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll in accordance with the Listing Rules and the memorandum and articles of association of the Company. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that although the Acquisition is not conducted in the ordinary and usual course of business of the Company, the Acquisition contemplated by the Agreement are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Group and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Completion of the Acquisition is conditional upon the fulfilment of the conditions precedents set out under the paragraph headed "Conditions Precedent" in this circular, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the shares and other securities of the Company.

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

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)

31 March 2023

Dear Independent Shareholders,

MAJOR AND CONNECTED TRANSACTION

Reference is made to the circular in relation to the major transaction and connected transaction of Yun Lee Marine Group Holdings Limited (the "Company") dated 31 March 2023 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to give a recommendation to Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

Merdeka Corporate Finance Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

Having considered the terms of the Agreement and taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in the letter from the Independent Financial Adviser in the Circular, we are of the view that although the Acquisition is not conducted in the ordinary and usual course of business of the Company, the Acquisition contemplated by the Agreement are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interest of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution in relation to the Agreement at the EGM.

We wish to draw the attention of the Independent Shareholders to (1) the letter from the Board set out on pages 4 to 15 of the Circular, (2) the letter from the Independent Financial Adviser set out on pages 18 to 31 of the Circular, and (3) each of the appendices to the Circular.

Yours faithfully,
Independent Board Committee

Ms. Chan Hei Ting *Independent non-executive director of the Company*	**Ms. Hong Ting** *Independent non-executive director of the Company*

The following is the full text of a letter of advice from the Independent Financial Adviser setting out the advice to the IBC and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this Circular.

MERDEKA 領智

Room 1108-1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

31 March 2023

To: The IBC and the Independent Shareholders of
Yun Lee Marine Group Holdings Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the IBC in relation to the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the Circular dated 31 March 2023 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As noted from the Board Letter, 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 the Target Company, at the Consideration of HK$23,800,000. The Target Company owns 75 ordinary shares of Yun Lee (Tim Kee) — U-Tech Joint Venture Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, 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. We have been appointed as the independent financial adviser to advise the IBC and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Acquisition, there were no engagements between the Group or the Shareholders and Merdeka Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules. Accordingly, we are qualified to give independent advice in this case.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the IBC, we have relied on the statements, information, opinions and representations contained in or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the "**Management**"). Our review procedures include, among others, review of (i) the annual reports of the Group for the years ended 31 March 2022 (the "**2022 AR**") and 31 March 2021 (the "**2021 AR**"); (ii) the interim reports of the Group for the six months ended 30 September 2022 (the "**2022 IR**") and 30 September 2021 (the "**2021 IR**"); (iii) the Circular; (iv) the Sub-Contracts; and (v) review of other relevant public information. We have assumed that all statements, information and representations made or referred to in this Circular and all information and representations which have been provided by the Company and its advisers, the Directors and the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in this Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the Circular, which includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the Management.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. This letter is issued to the IBC and the Independent Shareholders, solely in connection for their consideration of the Agreement and the transactions contemplated thereunder, and except for its inclusion in this Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the IBC in relation to the Acquisition, we have considered the principal factors and reasons as set out below:

1. Background information of the Group

1.1 Principal business of the Group

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 contracts of several marine infrastructure projects in Hong Kong.

1.2 Historical financial information of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 March 2021 and 31 March 2022 ("**FY2021**" and "**FY2022**", respectively) as extracted from the 2021 AR and the 2022 AR and the unaudited consolidated financial results of the Group for the six months ended 30 September 2021 (the "**1H2021**") and 30 September 2022 (the "**1H2022**") as extracted from the 2021 IR and the 2022 IR:

Table 1: Historical financial information of the Group

	For the financial years ended 31 March		**For the six months ended 30 September**	
	2021	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	226,194	364,005	145,531	131,550
Gross profit	60,242	93,310	31,607	44,990
Total profit before taxation	35,425	56,202	18,618	24,851
Profit and total comprehensive income for the year/period attributable to owners of the Company	25,020	40,803	13,033	18,084

	As at 31 March 2022	**As at 30 September 2022**
	HK$'000	*HK$'000*
	(audited)	*(unaudited)*
Total assets	340,807	331,250
Total liabilities	70,221	63,586
Total equity	270,586	267,664

(i) For the financial year ended 31 March 2022

For the FY2022, the Group recorded total revenue of approximately HK$364.0 million, representing an increase of approximately 60.9% as compared to approximately HK$226.2 million for the FY2021. As noted from the 2022 AR, such increase was mainly attributable to the increase in the demands for the Group's vessel chartering and related services from short-term marine services projects during the year. The Group's gross profit increased from approximately HK$60.2 million for the FY2021 to approximately HK$93.3 million for the FY2022, representing an increase of approximately 54.98%. The Group's gross margin decreased by approximately 1.0 percentage points from approximately 26.6% for the FY2021 to approximately 25.6% for the FY2022. As advised by the Company, the decrease in gross margin is primarily attributable to increased vessel chartering costs and subcontracting fees incurred to cope with the increased demands for managing and completing a larger number of projects.

For the FY2022, the Group recorded profit attributable to owners of the Company of approximately HK$40.8 million, representing an increase of approximately 63.2% as compared to approximately HK$25 million for the FY2021. As noted from the 2022 AR, such increase in profit attributable to owners of the Company was attributable to the increase in revenue from a larger number of projects.

(ii) For the six months ended 30 September 2022

For the 1H2022, the Group recorded total revenue of approximately HK$131.6 million, representing a decrease of approximately 9.6% as compared to approximately HK$145.5 million for the 1H2021. As noted from the 2022 IR, such decrease was mainly attributable to the decreased revenue of vessel chartering and related services, such as procurement services, rendered to short term marine services projects.

The Group's gross profit increased from approximately HK$31.6 million for the 1H2021 to approximately HK$45.0 million for the 1H2022 representing an increase of approximately 42.4%. The Group's gross margin increased by approximately 12.5 percentage points from approximately 21.7% for the 1H2021 to approximately 34.2% for the 1H2022. As noted from the 2022 IR, the increase in operating profit and operating margin despite a decrease in revenue is primarily attributable to decrease in the provision of third-party owned vessels, which generated relatively lower gross profit margin than the Group's self-owned vessels.

For the 1H2022, the Group recorded profit attributable to owners of the Company of approximately HK$18.1 million, representing an increase of approximately 39.2% as compared to approximately HK$13.0 million for the 1H2021. As advised by the Company, such increase in profit attributable to owners of the Company is primarily attributable to the increase in gross profit.

The total assets of the Group decreased by approximately HK$9.0 million from approximately HK$340.3 million as at 31 March 2022 to approximately HK$331.3 million as at 30 September 2022. The total assets of the Group as at 30 September 2022 mainly comprised of (i) property, plant and equipment of approximately HK$120.0 million (31 March 2022: approximately HK$103.4 million); (ii) current trade and other receivables of approximately HK$52.5 million (31 March 2022: approximately HK$133.9 million); (iii) time deposits of approximately HK$73.1 million (31 December 2021: approximately HK$8.1 million); and (iv) bank balances and cash of approximately HK$69.6 million (31 March 2022: approximately HK$73.4 million).

The total liabilities of the Group decreased by approximately HK$6.6 million from approximately HK$70.2 million as at 31 March 2022 to approximately HK$63.6 million as at 30 September 2022. The total liabilities of the Group as at 30 September 2022 mainly comprised of (i) short-term trade and other payables of approximately HK$35.8 million (31 March 2022: approximately HK$46.9 million); and (ii) deferred tax liabilities of approximately HK$12.0 million (31 March 2022: approximately HK$11.3 million).

The equity attributable to owners of the Company decreased by approximately HK$2.9 million from approximately HK$270.6 million as at 31 March 2022 to approximately HK$267.7 million as at 30 September 2022.

2. Information on the Target Company

2.1 Principal business 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. The Target Company owns 75 ordinary share of Yun Lee (Tim Kee) — U-Tech Joint Venture Limited.

2.2 Historical financial information of the Target Company

Set out below is the consolidated financial information of the Target Company and its subsidiary (together, the "**Target Group**") for the two financial years ended 31 March 2022 and for the six months ended 30 September 2022 according to the financial statements of the Target Group:

	For the financial years ended 31 March		**For the six months ended 30 September**	
	2021	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*	*(audited)*
Revenue	38,307	149,564	89,184	60,063
Profit/(loss) before taxation	5,407	23,008	31,996	(15,432)
Profit/(loss) after taxation	4,535	19,206	26,722	(12,459)

	As at 31 March 2022	**As at 30 September 2022**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Total assets	82,188	107,043
Net assets	23,741	11,282

For further details of the financial information of the Target Group, please refer to Appendix II "ACCOUNTANT REPORT" in the Circular (the "**Accountant Report**").

3. The Agreement

3.1 Principal terms of the Agreement

A summary of the principal terms of the Agreement is as follows:

Date:	13 January 2023
Parties	
Purchaser:	Universal Marine Services Limited, an indirect wholly owned subsidiary of the Company
Vendor:	Chan Shing Lam Chow Wai Ming

As at the Latest Practicable Date, the Target Company is held by the Purchaser, Vendor 1, Vendor 2 and a remaining shareholder as to 17%, 17%, 17% and 49% respectively.

3.2 Assets to be acquired

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.

3.3 Consideration

The Consideration is HK$23,800,000. Deposit shall be payable by cheque by the Purchaser to the Vendors 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.

As at the Latest Practicable Date, the Purchaser has settled the Deposit to the Vendors.

As noted from the Board Letter, the 34% Profit Guarantee of the Target Company was determined with reference to the contracted sum of the two Sub-Contracts in the total amount of HK$596,461,870.00. We have reviewed the agreements for the Sub-Contracts and confirmed that such aggregate sum is an agreed upon fixed sum for the work to be completed. The guaranteed profit was determined based on: (i) the Target Company's historical net profit margin extracted from its management account (excluding expected credit loss expenses) for the year ended 31 March 2022 being 13%; and (ii) the contracted sums of work projects yet to complete under the two Sub-Contracts were approximately HK$540,000,000.00, which was extracted from the Target Company's record. We have discussed with Management and understood that such amount was determined based on subtracting from the aggregate contract sums any consideration that had already been paid out under the Sub-Contracts. Based on the aforementioned, we consider utilising the remaining contracted sums of work projects yet to be completed under the Sub-Contracts for the basis of the Profit Guarantee to be fair and reasonable.

3.4 Conditions

The Completion is conditional upon the satisfaction of the following 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 precedent are capable of being waived by the Vendors and the Purchaser may waive all of the above conditions precedent. However, the purchaser confirmed that it will not waive conditions precedent (a) and (b).

If the conditions precedent set out above are not satisfied or waived (as the case may be) on or before 31 May 2023 (extended from 31 March 2023 by a letter of confirmation among the Purchaser and each of the Vendors), 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 May 2023 (extended from 31 March 2023), whichever is earlier.

3.5 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 (the "**Guaranteed Profit**").

In the event that the Target Company does not make a profit or 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.

3.6 Conditions Subsequent

Each of the Vendors 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 the Agreement.

3.7 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.

4. Reasons for entering into the Agreement

As noted from the Board Letter, 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 Target Group is a downstream customer of the Group as the Target Group's principal business is in line with the Group's typical clients. Accordingly any contracts that the Target Group enters into that requires works that can be completed by the Group can be sub-contracted by the Target Group to the Group. The Acquisition allows the Group to expand its presence in the maritime services supply chain. Please refer to the Board Letter for further details on the Target Group's business model.

As noted from the Group's 2022 IR, the Group has a strong balance sheet with cash reserves of approximately HK$73.1 million in time deposits and approximately HK$69.6 million in bank balances and cash, as compared to total liabilities of the Group of only HK$70.2 million as at 30 September 2022. The Group also has recorded positive cash flow and profit consecutively for several financial years. Taking into account the Group's strong balance sheet and consistent positive performance, the Group is in an ideal financial position to expand and develop its business, especially when taking into account the recovery of the global and local economy from the COVID-19 epidemic.

The Acquisition allows the Group to capitalise on the potential profits of the Sub-Contracts, which are related to projects commissioned by the Hong Kong Government, that have a contract sum of HK$298,667,520 (the "**Sub-Contract A**") and HK$297,794,350 (the "**Sub-Contract B**") respectively, with an aggregate sum of HK$596,461,870. The Sub-Contracts have already commenced and the Target Group has already begun providing services under both Sub-Contracts and Sub-Contract A and Sub-Contract B are expected to be completed in January 2027 and March 2027 respectively. Based on the fact that the Target Group has already commenced providing services under the Sub-Contracts, the Target Group had significant upfront expenses already paid and to be paid in relation to Sub-Contract A which resulted in the Target Group recording a net loss and significantly lower net assets position for the 1H2022 and as at 30 September 2022 as compared to a net profit for the 1H2021 and as at September 2021 respectively. The significant drop in revenue of the Target Group for the 1H2022 as compared to the 1H2021 is also due to the commitment of the Target Group to the Sub-Contracts, resulting in minimal manpower and resources remaining to take on other projects. We noted from the Accountant Report that the Target Group's current trade payables and other payables increased from approximately HK$13.7 million as at 31 March 2022 to approximately HK$33.6 million as at 30 September 2022 primarily attributable to the Target Group's commitments under the Sub-Contracts. The Target Group also had an increase in contract assets of approximately HK$9.4 million from approximately HK$21.0 million as at 31 March 2022 to approximately HK$30.4 million as at 30 September 2022, representing the Target Group's right to consideration for work completed but not yet billed.

The Sub-Contracts have only just commenced, so the Acquisition will allow the Group to capitalise on the majority of the duration and revenue of the Sub-Contracts, providing the Group with a long-term, stable and major customer until March 2027. Averaging out the aggregate contract sums of the Sub-Contracts across their approximate 5 year term, the Sub-Contracts can provide annual revenue of approximately HK$120 million, which represents approximately 33.0% of the Group's revenue of approximately HK$364 million for the FY2022. Major construction works also often require variation works which allow for additional revenue generation outside of the original contract sums. Taking into account the size and duration of the Sub-Contracts, variation works are likely to be required, increasing the potential revenue from the Sub-Contracts.

Taking into account the (i) strong synergy between the Group and the Target Group; (ii) potential revenue of the Sub-Contracts; and (iii) engaging in projects commissioned by the Hong Kong Government can significantly enhance the Group's client portfolio, we consider the Acquisition is in the interest of the Company and its Shareholders as a whole.

5. Our analysis of the terms of the Agreement

The Profit Guarantee

As noted from the Board Letter, the Consideration is based upon the Profit Guarantee to be given by the Vendors. Based on our discussions with the Directors and Management, the Profit Guarantee is primarily based on the contract sums of the Sub-Contracts and the expected net profits from such Sub-Contracts to be earned by the Target Group based on the Target Group's net profit margin for the FY2022. Prior to the 1H2022, during which the Target Group had incurred exceptional expenses and liability items related to the Sub-Contracts, the Target Group had recorded a consistent net profit margin for the FY2021 and FY2022 (i.e. approximately 11.84% and 12.84% respectively). Given the consistent aforementioned net profit margin despite the significant difference in revenue between the years ended 31 March 2021 and 31 March 2022, we consider that the net profit margin of the Target Group is likely to be maintained by the Target Group for the revenue to be generated under the Sub-Contracts, especially taking into account the long-term nature and the reliability of the project owners of the Sub-Contracts, and accordingly utilising the historical net profit margin of the Target Group as the basis for the Profit Guarantee is fair and reasonable.

The Profit Guarantee is for the entire three years ended 31 March 2026. The terms of the Sub-Contracts extend until early 2027 and it is difficult to predict the exact timing of the revenue generation from the Sub-Contracts for few years in advance given the nature of the underlying industry. The revenue from the Sub-Contracts are also likely to be recorded in the latter half of the term of the Sub-Contracts, as it is the industry practice for long-term construction agreements. Accordingly it is impractical for the Profit Guarantee to be on an annual basis.

As disclosed in the Board Letter, the contracted sums of work projects yet to be completed under the Sub-Contracts were approximately HK$540,000,000, which was extracted from the Target Company's records. Taking into account the average profit margin of the Target Group for the two years ended 31 March 2022 of approximately 12.34%, the expected profit (the "**Expected Profit**") to be generated from the Sub-Contracts is approximately HK$66.63 million which accounts for approximately 95.19% of the Guaranteed Profit of HK$70.0 million under the Profit Guarantee. While the Expected Profit is slightly under the Guaranteed Profit, as abovementioned, due to the scale of works to be performed under the Sub-Contracts, the Management expects there to be variation works required, potentially generating additional revenue and profit.

The Vendors are currently actively involved in the Target Group and have indicated their intention to continue to be involved in Target Group and facilitate the completion of the Sub-Contracts following Completion.

In addition, we understand that the Company has conducted due diligence check on the Vendors prior to the entering of the Agreement. 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. Based on the market capitalisation of the Company as at the date of the Agreement (i.e. closing price of HK$0.213 x 1,000,000,000 issued Shares), each of the Vendors' shareholdings are worth approximately HK$2,130,000 and HK$7,455,000 respectively. In addition, Vendor 1 and Vendor 2 owns land properties in Hong Kong (without mortgages), and Vendor 1 has advanced a sum of HK$19,100,000 to the Target Company (the "**Vendor 1 Loan**") which constitutes amount owed by the Target Company to Vendor 1. Besides, Vendor 2 has been employed by the Group for over 20 years and with a current annual salary of over HK$1,000,000.

As abovementioned, the Target Group has an outstanding sum of HK$19,100,000 due to Vendor 1, that is non-interest bearing and has no maturity date, which is significantly larger the Consideration to be paid to Vendor 1 of HK$11,900,000. Accordingly, in the event of non-fulfillment of the Profit Guarantee, the Group can potentially set off any outstanding amount owed by Vendor 1 to the Group under the Profit Guarantee with the Vendor 1 Loan. As Vendor 1 has available liquid assets to advance the Vendor 1 Loan, we consider that Vendor 1 is likely to have financial assets in excess to the Consideration to be paid to Vendor 1. Accordingly we consider that 50% of the Consideration is secure and very likely to be recoverable. As Vendor 2 has been employed by the Group for a significant period, the Management is familiar with Vendor 2's background and based on our discussions with Management and the background search performed by the Group, Vendor 2 is likely to have assets in excess of HK$11,900,000, such as the (i) issued shares of the Company worth approximately HK$7,455,000, based on the closing price of HK$0.213 of the issued shares of the Company as at the date of the Agreement; and (ii) a non-mortgaged property in Hong Kong, we consider that there is a low risk of Vendor 2 not compensating the Group in the event that the Guaranteed Profit is not met by the Target Group and there is high likelihood of recoverability of Vendor 2's portion of the Consideration.

Taking into account the abovementioned factors, we consider that the amount and term of the Profit Guarantee is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The Conditions Subsequent

As noted from the Agreement, the Agreement has conditions subsequent (the "**Conditions Subsequent**") whereby each Vendor 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 the Agreement. The Conditions Subsequent provides additional security for the Group as the Profit Guarantee is based primarily upon the expected revenue from the Sub-Contracts. The Conditions Subsequent also encourages the Vendors to facilitate the proper completion of the Sub-Contracts.

The Consideration

The Consideration of HK$23,800,000 is based on the Profit Guarantee and the respective shareholdings of the Vendors in the Target Company, being 34% of HK$70,000,000. As the Consideration is based entirely on and is covered entirely by the Profit Guarantee, which we consider to be fair and reasonable, we also consider the Consideration to be fair and reasonable.

The Promissory Note

As noted from the Agreement, the Purchaser and the Vendors will enter into the Promissory Note on the Completion Date as settlement of HK$11,900,000, representing 50% of the total Consideration. The Promissory Note has an interest rate of 5% per annum with a maturity date of twelve (12) months from the Completion Date.

The Promissory Note provides the Group with additional security in regards to the Vendors commitment to the Target Company and the Sub-Contracts. By the maturity of the Promissory Note, the Target Company will have expected to commenced several works under the Sub-Contracts, thereby helping to secure the Target Company's roles for the Sub-Contracts.

In order to analyse the interest rate and term of the Promissory Note, we have identified through desktop research, comparable issues of promissory notes by companies listed on the Stock Exchange that (i) are under HK$100 million, to exclude excessively large promissory notes; and (ii) announced in the three (3) years prior to the date of the Agreement, to ensure there is an adequate number of relevant samples for comparison. We consider our search to be exhaustive under the aforementioned criteria and have identified the below 9 comparables issues (the "**Comparables**"):

Date	**Company**	**Stock Code**	**Amount**	**Interest rate (%)**	**Maturity (years)**
9-Jan-23	Huasheng International Holding Limited	1323	7,800,000	8.0	2.0
06-Oct-22	Central Wealth Group Holdings Limited	139	54,000,000	3.0	2.0
23-Sep-22	Sky Light Holdings Limited (note)	3882	45,000,000	0.0	2.0
23-Sep-22	Sky Light Holdings Limited (note)	3882	49,242,883	0.0	1.0
16-Aug-22	Legendary Group Limited	8195	12,400,000	5.0	3.0
10-Jun-22	China Healthwise Holdings Limited	348	15,000,000	9.0	3.0
4-Aug-21	Simplicity Holdings Limited	8367	60,000,000	5.0	3.0
20-May-21	Future World Holdings Limited	572	39,000,000	5.0	2.0
24-Dec-20	Auto Italia Holdings Limited	720	53,500,000	8.0	3.0
27-Oct-20	L & A International Holdings Limited	8195	41,000,000	3.0	2.0
			Max	9.0	3.0
			Average	5.1	2.4
			Min	0.0	1.0

Note: The two promissory notes issued by Sky Light Holdings Limited on 23 September 2022 was for the same acquisition.

As noted from the Comparables, the interest rate under the Promissory Note of 5.0% is within range and slightly lower than the average of the Comparables of 5.1%. We also noted from data available by the Hong Kong Association of Banks, that the Hong Kong Twelve Month Interbank Rate (the "**12 Month HIBOR**") averaged less than 1.0% from late 2020 to early 2022 and then spiking to a peak of approximately 5.8% in December 2022. The 12 Month HIBOR is currently levelling off back down to approximately 4.7% for January 2023, which is still significantly higher than historical trends, (i.e. below 3.0% from 2011 to 2021). The HK$ prime rate is also showing an increasing trend with rates hikes of 22.5 basis points in September 2022, 25 basis points in November 2022 and another 25 basis points in December 2022 (i.e. from 5.25% in November 2019 to 5.875% in December 2022). Based on the aforementioned trends, we consider that Hong Kong is currently experiencing a high interest rate environment. Accordingly, we consider the interest rate under the Promissory Note is in line with the overall market and fair and reasonable.

The term of the Promissory Note is equivalent to the minimum term of the Comparables. However, as the Vendors are already providing the Profit Guarantee and have also agreed to the Conditions Subsequent, we consider the shorter term of the Promissory Note is fair and reasonable as the Group's investment in the Target Company is relatively secure when taking into account that the Profit Guarantee is based upon already signed and partially commenced contracts for government related projects and the Vendors will continue to be involved in the operations of the Target Group after Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that even though the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of Company and the Independent Shareholders as a whole. Accordingly, we would recommend (i) the IBC to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM in this regard.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Wallace So
Director

Mr. Wallace So is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2022 were set out in the relevant annual reports and interim report of the Company uploaded to the Stock Exchange's website (https://www.hkexnews.hk) and the Company's website (http://www.yunlee.com.hk/).

Please also see below quick links to the relevant annual reports and interim report:

- Interim report of the Company for the six months ended 30 September 2022 published on 28 December 2022:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1228/2022122800346.pdf

- Annual report of the Company for the year ended 31 March 2022 published on 28 July 2022:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072801508.pdf

- Annual report of the Company for the year ended 31 March 2021 published on 27 July 2021:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0727/2021072701248.pdf

- Annual report of the Company for the year ended 31 March 2020 published on 27 July 2020:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700604.pdf

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

At the close of business on 31 January 2023, being the latest practicable date prior to the printing of this Circular, the Enlarged Group had the following indebtedness:

(a) bank loan of approximately HK$8.8 million was unsecured and guaranteed by the directors of the Target Company;

(b) unsecured and unguaranteed amount due to a shareholder approximately HK$25.9 million;

(c) unsecured and unguaranteed amounts due to non-controlling shareholders of subsidiaries of approximately HK$26.9 million;

(d) unsecured and unguaranteed amounts due to associates approximately HK$3.5 million;

(e) lease liability of approximately HK$0.3 million which was unsecured and unguaranteed;

(f) lease liabilities of approximately HK$0.6 million which were unguaranteed and secured by rental deposits;

(g) lease liabilities of approximately HK$6.0 million which were guaranteed and secured by private motor vehicles and heavy goods vehicle.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, charges, guarantees or other material contingent liabilities as at 31 January 2023.

3. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Acquisition and the present financial resources available to the Enlarged Group, including funds internally generated from its business operations and the available financial facilities, the Enlarged Group will have sufficient working capital for its business operations for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As there are numbers of high-profile development projects and infrastructure projects related to marine construction works were initiated by the government of Hong Kong in recent years, the management of the Enlarged Group expects the demand of the Enlarged Group's vessel chartering and related services for these marine construction projects would increase steadily, and such projects are expected to contribute to the Enlarged Group's revenue in the future. The Enlarged Group will continue to invest in its vessel fleet in order to capture such business opportunities.

5. FINANCIAL EFFECT OF THE AGREEMENT ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

The Agreement does not and the Group expects that it will not have any material impact on the earnings, net asset value, liabilities and gearing of the Group.

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or operating position of the Group since 31 March 2022, the date to which the latest published audited financial statements of the Group were made up.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YUN LEE (TIM KEE) MARINE CONSTRUCTION LIMITED (FORMERLY KNOWN AS LEADER PEAK LIMITED) AND ITS SUBSIDIARY TO THE DIRECTORS OF YUN LEE MARINE GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Yun Lee (Tim Kee) Marine Construction Limited (the "Target Company") and its subsidiary (together, the "Target Group") set out on pages II-5 to II-58, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2020, 2021 and 2022 and 30 September 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 March 2022 and the six months ended 30 September 2022 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-5 to II-58 forms an integral part of this report, which has been prepared for inclusion in the circular of Yun Lee Marine Group Holdings Limited (the "Company") dated 31 March 2023 (the "Circular") in connection with the major and connected transaction — acquisition of 34% equity interest of the Target Company (as defined in the Circular).

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company or its subsidiary since their dates of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2023

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended 30 September	
	NOTES	2020	2021	2022	2021	2022
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	6	—	38,307	149,564	89,184	60,063
Cost of sales		—	(29,193)	(119,621)	(55,031)	(69,957)
Gross profit (loss)		—	9,114	29,943	34,153	(9,894)
Other income		—	—	258	20	910
Other losses		—	—	—	—	(75)
Impairment losses under expected credit loss model		—	(2,210)	(641)	—	—
Administrative expenses		—	(1,497)	(6,542)	(2,177)	(6,328)
Finance costs	8	—	—	(10)	—	(45)
Profit (loss) before taxation	9	—	5,407	23,008	31,996	(15,432)
Income tax (expense) credit	10	—	(872)	(3,802)	(5,274)	2,973
Profit (loss) and total comprehensive income (expense) for the year/period		—	4,535	19,206	26,722	(12,459)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March 2020	As at 31 March 2021	As at 31 March 2022	As at 30 September 2022
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Plant and equipment	14	—	2,349	2,284	5,269
Deposit for acquisition of plant and equipment		—	—	—	4,680
Right-of-use assets	15	—	—	2,183	5,450
Deferred tax assets	16	—	86	—	2,874
Rental deposits	17	—	—	—	97
		—	2,435	4,467	18,370
Current assets					
Debtors, deposits and prepayments	17	—	5	3,338	35,520
Amounts due from shareholders	18(i)	—*	—*	—*	—*
Loan to a director	18(ii)	—	3,647	9,518	3,070
Amount due from a related company	18(iii)	—	34,978	38,575	6,383
Contract assets	17	—	—	21,034	30,442
Bank balances	19	—	1,469	5,256	13,258
		—	40,099	77,721	88,673
Current liabilities					
Trade and other payables	21	—	6,061	13,740	33,645
Contract liabilities	17	—	—	—	2,076
Amounts due to shareholders	18(i)	—	13,400	3,400	19,100
Amounts due to related companies	18(iii)	—	17,580	34,548	9,188
Amount due to a non-controlling shareholder of a subsidiary	18(iv)	—	—	—	21,971
Tax payables		—	958	4,575	4,575
Lease liabilities	22	—	—	532	1,562
		—	37,999	56,795	92,117
Net current assets (liabilities)		—	2,100	20,926	(3,444)
Total assets less current liabilities		—	4,535	25,393	14,926

	NOTES	As at 31 March 2020 HK$'000	As at 31 March 2021 HK$'000	As at 31 March 2022 HK$'000	As at 30 September 2022 HK$'000
Non-current liabilities					
Lease liabilities	22	—	—	1,553	3,644
Deferred tax liabilities	16	—	—	99	—
		—	—	1,652	3,644
Net assets		—	4,535	23,741	11,282
Equity					
Share capital	20	—*	—*	—*	—*
Reserve		—	4,535	23,741	11,282
Total equity		—	4,535	23,741	11,282

* Less than HK$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2019 and 31 March 2020	—*	—	—*
Issue of ordinary shares	—*	—	—*
Profit for the year	—	4,535	4,535
At 31 March 2021	—*	4,535	4,535
Profit for the year	—	19,206	19,206
At 31 March 2022	—*	23,741	23,741
Loss for the period	—	(12,459)	(12,459)
At 30 September 2022	—*	11,282	11,282
At 1 April 2021	—*	4,535	4,535
Profit for the period (unaudited)	—	26,722	26,729
At 30 September 2021 (unaudited)	—*	31,257	31,257

* Less than HK$1,000

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before taxation for the year/period	—	5,407	23,008	31,996	(15,432)
Adjustments for:					
Impairment loss on trade receivables and contract assets under expected credit loss model	—	—	401	—	—
Impairment loss on amount due from a related company under expected credit loss model	—	2,210	240	—	—
Depreciation of plant and equipment	—	15	475	236	510
Depreciation of right-of-use assets	—	—	111	—	519
Loss on disposal of plant and equipment	—	—	—	—	75
Finance costs	—	—	10	—	45
Operating cash flows before movements in working capital	—	7,632	24,245	32,232	(14,283)
Increase in debtors, deposits and prepayments	—	(5)	(3,508)	(12,890)	(32,182)
Increase in contract assets	—	—	(21,260)	—	(9,408)
(Increase) decrease in amount due from a related company	—	(37,188)	(3,837)	(3,829)	32,192
Increase in trade and other payables	—	6,061	7,679	4,996	19,905
Increase in contract liabilities	—	—	—	—	2,076
Increase (decrease) in amounts due to related companies	—	17,580	16,968	920	(25,360)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	—	(5,920)	20,287	21,429	(27,060)

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Repayment from a director	—	6,900	1,497	1,197	10,360
Advance to a director	—	(10,547)	(7,368)	(6,973)	(3,912)
Advances to shareholders	—	—*	—	—	—
Placement of rental deposits	—	—	—	—	(97)
Purchases of plant and equipment	—	(2,364)	(410)	—	(3,570)
Deposit paid for acquisition of plant and equipment	—	—	—	—	(4,680)
NET CASH USED IN INVESTING ACTIVITIES	—	(6,011)	(6,281)	(5,776)	(1,899)
FINANCING ACTIVITIES					
Issuance of new shares	—	—*	—	—	—
Repayment to lease liabilities	—	—	(209)	—	(665)
Interest paid	—	—	(10)	—	(45)
Advance from a non-controlling shareholder of a subsidiary	—	—	—	—	21,971
Advances from shareholders	—	24,500	4,000	4,000	21,600
Repayment to shareholders	—	(11,100)	(14,000)	(14,000)	(5,900)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	—	13,400	(10,219)	(10,000)	36,961
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	1,469	3,787	5,653	8,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	—	—	1,469	1,469	5,256
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances	—	1,469	5,256	7,122	13,258

* Less than HK$1,000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in Hong Kong on 28 September 2018. The addresses of the Target Company's registered office and principal place of business are located at Room 709,7/F, Magnet Place Tower 1, 77 - 81 Container Port Road, Kwai Chung, Hong Kong. The Target Company is principally engaged in provision of marine construction services and its subsidiary is inactive.

By a special resolution of the sole member passed on 7 July 2020 and by a certificate of change of name issued by the Companies Registry of the Hong Kong Special Administration Region on 17 July 2020, the name of the Target Company has changed from Leader Peak Limited 領鼎有限公司 to Yun Lee (Tim Kee) Marine Construction Limited 潤利(添記)海事工程有限公司.

Shek Kam Tim ("Mr. Shek") is the controlling shareholder of the Target Company.

The Historical Financial Information of the Target Company is presented in Hong Kong dollars ("HK$"), which is the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs.

The historical financial information contained in this Circular does not constitute the Company's statutory annual consolidated financial statements for any of the financial years ended 31 March 2020, 2021 and 2022. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Target Company was incorporated on 28 September 2018 and has not prepared and presented any statutory financial statements since incorporation. Consequently, the Company's auditor has not reported on any statutory financial statements and none have been delivered to the Registrar of Companies.

In preparation of the Historical Financial Information, the directors of the Target Company have given due and careful consideration to the future liquidity of the Target Group in light of the Target Group's current liabilities exceeding its current assets by HK$3,444,000 as at 30 September 2022. In the opinion of the directors of the Target Company, the Historical Financial Information has been prepared on a going concern basis as the Company agreed to provide adequate funds to enable the Target Group to meet in full its financial obligations as they fall due in the foreseeable future.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 April 2022 throughout the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

The Target Group has not applied the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Target Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Target Group's consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Target Company and entity controlled by the Target Company. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Interest in a subsidiary

Interest in a subsidiary is stated at cost less any identified impairment loss.

Revenue from contracts with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents service that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or

- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Contract assets on marine construction contracts represent the Target Group's right to consideration for work completed and not billed as the rights are conditional on the Target Group's future performance in satisfying the respective performance obligations. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Target Group's performance in transferring control of services.

Plant and Equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes and are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the account of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Impairment on plant and equipment and right-of-use assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Bank balances presented on the consolidated statements of financial position include demand deposits. For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances as defined above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Target Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Target Group applies the short-term lease recognition exemption to leases of vessels, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets that do not meet the definition of inventory as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Target Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Target Group as a lessor

Classification and measurement of leases

Leases for which the Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Target Group's ordinary course of business is presented as revenue.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit (loss) before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers, if any, which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, rental deposits, loan to a director, amounts due from shareholders and a related company and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above, the Target Group considers that default has occurred when a financial asset is more than 90 to 120 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and amount due from a related company, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, amounts due to shareholders, related companies and a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of value of marine construction contracts

The management measures the value of completed marine construction work based on output method, which is to recognise revenue on the basis of direct measurement of the value of marine construction work transferred to the customer to date relative to the remaining marine construction works promised to be completed under the marine construction contract. Most marine construction contracts take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the marine construction contracts and regularly assesses the progress of marine construction works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue and the completion status of marine construction contracts requires significant judgement and has a significant impact on the amount and timing of revenue recognised. There are internal qualified surveyors to measure the value of the marine construction work completed for each construction projects periodically and issue internal marine construction progress reports. The marine construction contracts performed by the Target Group would also be certified by the independent qualified surveyors periodically according to the marine construction contracts. The Target Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract as the contract progresses based on internal construction progress reports and certificates issued by the independent qualified surveyors.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets are assessed for ECL individually and the provision rates are based on the Target Group's historical default rates, past-due status and the financial capability of individual debtor taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Target Group's trade receivables and contract assets are disclosed in notes 17 and 25, respectively.

6. REVENUE

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Marine construction service income	—	37,058	145,001	86,733	58,489
Vessel chartering service income	—	1,249	4,563	2,451	1,574
	—	38,307	149,564	89,184	60,063
Timing of revenue recognition					
Over time	—	37,058	145,001	86,733	58,489
A point in time	—	1,249	4,563	2,451	1,574
	—	38,307	149,564	89,184	60,063

Marine construction contract

The Target Group provides marine construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Target Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these marine construction services based on the value of marine construction work using output method.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Target Group's right to consideration for the services performed because the rights are conditioned on the Target Group's future performance in achieving specified milestones or the value of construction work has to be agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Target Group typically transfer the contract assets to trade receivables when the Target Group issued invoice to the customers based on the value of work certified by independent qualified surveyors.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Vessel chartering service income

The Group provides vessel chartering services mainly to contractors for construction projects in Hong Kong, including time chartering representing the hiring of vessel and crew for a specific period of time and voyage chartering representing the hiring of vessel and crew for a specific voyage between two designated locations.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020, 2021, 2022 and 30 September 2022 amounting to nil, nil, HK$ 581,938,000 and HK$544,041,000, respectively. Management expects that all the remaining performance obligations will be recognised as revenue over the next six years from the end of each reporting periods.

7. SEGMENT INFORMATION

Information reported to the management of the Target Group, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Target Group's result and financial position as a whole.

Geographical information

As all of the Target Group's revenue is derived from customers located in Hong Kong and all the Target Group's identifiable non-current assets are located in Hong Kong, no geographical segment information is presented.

Information about major customers

Revenue from customers of the Relevant Periods contributing over 10% of the Target Group's revenue are as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Customer A	N/A	37,058	N/A[1]	N/A[1]	N/A[1]
Customer B	N/A	N/A	101,637	82,626	10,389
Customer C	N/A	N/A	19,090	N/A[1]	N/A[1]
Customer D	N/A	N/A	N/A[1]	N/A	24,721
Customer E	N/A	N/A	N/A	N/A	14,051

[1] The corresponding revenue did not contribute over 10% of the total Target Group's revenue.

8. FINANCE COST

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on lease liabilities	—	—	10	—	45

9. PROFIT (LOSS) BEFORE TAXATION

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit (loss) for the year/period has been arrived at after charging (crediting):					
Auditor's remuneration	—	—	—	—	—
Depreciation of plant and equipment (Note 14)	—	15	475	236	510
Depreciation of right-of-use assets (Note 15)	—	—	111	—	519
Loss on disposal of plant and equipment	—	—	—	—	75
Expenses relating to short-term leases with lease terms ending within 12 months (Note 15)	—	8,496	27,780	14,902	11,733
Staff costs, including directors' emoluments (Note 12):					
Salaries and other benefits	—	3,955	18,551	8,035	14,184
Provident fund scheme contributions	—	132	565	269	451
Total staff costs	—	4,087	19,116	8,304	14,635
Government and other grants	—	—	(20)	(20)	(734)

The Target Group recognised government and other grants of HK$20,000 for the year/period ended 31 March 2022 and 30 September 2021, respectively and HK$734,000 for the period ended 30 September 2022 in respect of Covid-19-related subsidies, which is related to Construction Business Support Scheme and Employment Support Scheme provided by Construction Industry Council and the Hong Kong government.

10. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Hong Kong Profits Tax:					
Current year	—	958	3,617	5,297	—
Deferred tax (Note 16)	—	(86)	185	(23)	(2,973)
	—	872	3,802	5,274	(2,973)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

The income tax expenses (credit) for the Relevant Periods can be reconciled to the profit (loss) before taxation as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit (loss) before taxation	—	5,407	23,008	31,996	(15,432)
Tax at Hong Kong Profits Tax rate of 16.5%	—	892	3,796	5,279	(2,546)
Tax effect of income not taxable for tax purpose	—	—	(3)	—	(121)
One-off tax reduction of profits tax	—	(20)	(10)	(5)	—
Others	—	—	19	—	(306)
Income tax expense (credit)	—	872	3,802	5,274	(2,973)

11. DIVIDENDS

No dividend was paid or declared by the Target Company or its subsidiary since their dates of incorporation.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the executive directors of the Target Company (including emoluments for the service as employees of the group entities prior to becoming the directors of the Target Company), during the Relevant Periods are as follows:

For the year ended 31 March 2020

	Directors' fee	Salaries and other benefits	Performance related bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Yuen Shing (resigned on 7 July 2020)	—	—	—	—	—
Total emolument	—	—	—	—	—

For the year ended 31 March 2021

	Directors' fee	Salaries and other benefits	Performance related bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Yuen Shing (resigned on 7 July 2020)	—	—	—	—	—
Mr. Shek (appointed on 7 July 2020 and resigned on 30 July 2020)	—	—	—	—	—
Chan Shing Lam (appointed on 7 July 2020)	—	95	—	5	100
Chow Wai Ming (appointed on 7 July 2020)	—	95	—	5	100
Wong Kim Hung ("Mr. Wong") (appointed on 30 July 2020)	—	—	—	—	—
Universal Marine Services Limited ("Universal Marine") (appointed on 7 July 2020)	—	—	—	—	—
Total emoluments	—	190	—	10	200

For the year ended 31 March 2022

	Directors' fee	Salaries and other benefits	Performance related bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Shek (reappointed on 31 March 2022)	—	—	—	—	—
Chan Shing Lam	—	520	—	17	537
Chow Wai Ming	—	195	—	10	205
Mr. Wong	—	101	—	5	106
Universal Marine	—	—	—	—	—
Total emoluments	—	816	—	32	848

For the six months ended 30 September 2021 (unaudited)

	Directors' fee	Salaries and other benefits	Performance related bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Chan Shing Lam	—	240	—	8	248
Chow Wai Ming	—	90	—	4	94
Mr. Wong	—	—	—	—	—
Universal Marine	—	—	—	—	—
Total emoluments	—	330	—	12	342

For the six months ended 30 September 2022

	Directors' fee	Salaries and other benefits	Performance related bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Shek (reappointed on 31 March 2022)	—	600	—	9	609
Chan Shing Lam	—	260	—	9	269
Chow Wai Ming	—	90	—	4	94
Mr. Wong	—	204	—	9	213
Universal Marine	—	—	—	—	—
Total emoluments	—	1,154	—	31	1,185

Note: The directors' emoluments are for their services in connection to the management of the affairs of the Target Company.

During the Relevant Periods, no remuneration was paid by the Target Company to the directors of the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office and none of the directors of the Target Company waived or agreed to waive any remuneration.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Target Group, nil, nil, nil, nil and one was the director of the Target Company for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, respectively. Details of the emoluments are included in Note 12(a) above. The emoluments of the remaining nil, five, five, five and four highest paid employees who are neither a director nor a chief executive of the Target Company for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Salaries and other benefits	—	1,796	3,850	1,924	1,138
Retirement benefit scheme contributions	—	48	78	44	19
	—	1,844	3,928	1,968	1,157

The emoluments were within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	Number of employee	*Number of employee*	*Number of employee*	*Number of employee* (*unaudited*)	*Number of employee*
Nil to HK$1,000,000	—	5	5	5	4

During the Relevant Periods, no emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

13. EARNINGS PER SHARE

No earnings per share information of the Target Group for the Relevant Periods is presented for the purpose of this report as its inclusion is not considered meaningful.

14. PLANT AND EQUIPMENT

	Computers	Construction machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 April 2020	—	—	—	—	—	—	—
Additions	—	2,184	—	180	—	—	2,364
At 31 March 2021	—	2,184	—	180	—	—	2,364
Additions	333	—	77	—	—	—	410
At 31 March 2022	333	2,184	77	180	—	—	2,774
Additions	389	—	—	383	48	2,750	3,570
Disposals	—	—	—	(80)	—	—	(80)
At 30 September 2022	722	2,184	77	483	48	2,750	6,264
DEPRECIATION							
At 1 April 2020	—	—	—	—	—	—	—
Provided for the year	—	—	—	15	—	—	15
At 31 March 2021	—	—	—	15	—	—	15
Provided for the year	—	437	2	36	—	—	475
At 31 March 2022	—	437	2	51	—	—	490
Provided for the period	40	218	8	195	3	46	510
Eliminated on disposals	—	—	—	(5)	—	—	(5)
At 30 September 2022	40	655	10	241	3	46	995
CARRYING VALUES							
At 31 March 2020	—	—	—	—	—	—	—
At 31 March 2021	—	2,184	—	165	—	—	2,349
At 31 March 2022	333	1,747	75	129	—	—	2,284
At 30 September 2022	682	1,529	67	242	45	2,704	5,269

The above items of plant and equipment are depreciated, taking into account their estimated residual values, on a straight-line basis and at the following rates per annum:

Computers	20%
Construction machinery	20%
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvements	Over the shorter of the term of lease, or 20%
Equipment	20%

15. RIGHT-OF-USE ASSETS

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts				
Leased properties	—	—	—	449
Motor vehicles	—	—	2,183	5,001
	—	—	2,183	5,450
Depreciation charge for the year/period (Note 9)				
Leased properties	—	—	—	77
Motor vehicles	—	—	111	442
	—	—	111	519

	Year ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Expense relating to short-term leases (Note 9)	—	8,496	27,780	14,902	11,733
Total cash outflow for leases	—	8,496	27,999	14,902	12,443
Additions to right-of-use assets	—	—	2,294	—	3,786

For the Relevant Periods, the Target Group leased office premises and motor vehicles for its operations. Lease contracts are entered into for fixed terms of 2 years to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Target Group regularly entered into short-term leases for vessels, machinery and equipment. As at 31 March 2020, 2021 and 2022 and 30 September 2022, the portfolio of short-term leases are similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

As at 31 March 2020, 2021 and 2022 and 30 September 2022, lease liabilities of nil, nil, HK$2,085,000 and HK$5,206,000, respectively are recognised with related right-of-use assets of nil, nil, HK$2,183,000 and HK$5,450,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

16. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised by the Group and movements thereon during the recognised by the Target Company and movements thereon during the periods are as follows:

	Accelerated tax depreciation	ECL provision	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	—	—	—	—
Charge (credit) for the year (Note 10)	278	(364)	—	(86)
At 31 March 2021	278	(364)	—	(86)
Charge (credit) for the year (Note 10)	291	(106)	—	185
At 31 March 2022	569	(470)	—	99
Charge (credit) for the period (Note 10)	319	—	(3,292)	(2,973)
At 31 September 2022	888	(470)	(3,292)	(2,874)

For the purpose of presentation in the consolidated statements of financial position, deferred tax assets and liabilities have been offset.

As at 30 September 2022, the Target Group has estimated unused tax losses of HK$19,964,000, available to offset against future profits. A deferred tax asset has been recognised in respect of such losses. The tax losses may be carried forward indefinitely.

17. DEBTORS, DEPOSITS AND PREPAYMENTS/ CONTRACT LIABILITIES

(i) Debtors, deposits and prepayments

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	3,032	19,575
Less: Impairment loss on trade receivables (Note 25 (b) (ii))	—	—	(175)	(175)
	—	—	2,857	19,400
Other receivables				
Prepayment	—	—	—	282
Deposits	—	—	403	15,059
Rental deposits	—	—	—	97
Others	—	5	78	779
	—	5	481	16,217
Less: Rental deposits shown under non-current asset	—	—	—	(97)
Amounts shown under current assets	—	5	3,338	35,520

As at 1 April 2019, trade receivables from contracts with customers amounted to nil.

The following is an aged analysis of trade receivables net of impairment loss presented based on the invoice date at the end of the reporting period.

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	—	—	1,848	10,443
31 to 60 days	—	—	896	—
Over 120 days	—	—	113	8,957
	—	—	2,857	19,400

As at 31 March 2022 and 30 September 2022, included in the Target Group's trade receivables balances are debtors with aggregate carrying amount of HK$976,000 and HK$9,040,000, respectively which are past due as at the reporting date. Out of the past due balances, HK$113,000 and HK$8,957,000 have been past due 90 days or more and is not considered as in default based on good repayment records for these customers and continuous business within the Target Group. The Target Group does not hold any collateral over these balances.

(ii) Contract assets

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed as current:				
Unbilled revenue of marine construction contracts	—	—	14,524	24,550
Retention receivables	—	—	6,736	6,118
Less: Impairment loss on retention receivables (Note 25 (b) (ii))	—	—	(226)	(226)
	—	—	6,510	5,892
	—	—	21,034	30,442
Retention receivables Due more than one year	—	—	6,736	6,118

Notes:

(a) As at 1 April 2019, contract assets amounted to nil.

(b) Unbilled revenue included in contract assets represents the Target Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the marine construction work completed by the Target Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Target Group obtains the certification of the completed marine construction work from the customers.

(c) Retention receivables included in contract assets represents the Target Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Target Group on the service quality of the marine construction work performed by the Target Group. For retention receivables in respect of marine construction contracts, the due dates are usually one to two years after the completion of the marine construction work.

The Target Group classifies these contract assets as current because the Target Group expects to realise them in its normal operating cycle.

(iii) Contract liabilities

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Marine construction contracts	—	—	—	2,076

As at 1 April 2019, contract liabilities amounted to nil.

Contract liabilities of the Target Group, which are expected to be settled within the Target Group's normal operating cycle, are classified as current.

18. AMOUNTS DUE FROM/TO SHAREHOLDERS, RELATED COMPANIES AND A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/ LOAN TO A DIRECTOR

(i) The amounts due from/to shareholders are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(ii) Loan to a director is non-trade in nature, unsecured, non-interest bearing and the management expected that the loan will be repayable within twelve months after the reporting period.

(iii) The amounts due from/to related companies are trade nature with an ageing within 30 days, are unsecured, non-interest bearing and repayable on demand.

Mr. Shek, a controlling shareholder of the Target Company, has beneficial interests, directly or indirectly of the related companies, B. C. Contractors Limited and Chung Kong Marine Engineering Limited.

There is an amount due to Yun Lee Marine Holdings Limited, which is a related company under the common control of the Company with Universal Marine, a shareholder of the Target Company.

(iv) Amount due to non-controlling shareholder of a subsidiary is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

	As at 1 April		As at 31 March						As at 30 September	
	2019	Maximum amount outstanding during the year	2020	Maximum amount outstanding during the year	2021	Maximum amount outstanding during the year	2022	Maximum amount outstanding during the year	2022	Maximum amount outstanding during the period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from shareholders	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Loan to a director	—	—	—	—	3,647	10,000	9,518	14,322	3,070	14,322

* Less than HK$1,000

19. BANK BALANCES

Bank balances carried interest at market rates which range from nil, 0.001% to 0.001%, 0.001% to 0.001% and 0.001% to 0.02% per annum as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively.

The Target Group's bank balances are denominated in the functional currencies of the relevant group entities.

20. SHARE CAPITAL

The share capital as at 31 March 2020, 2021 and 2022 and 30 September 2022 represented the share capital of the Target Company.

Details of the Target Company's shares are disclosed as follows:

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$1 each		
Authorised		
At 31 March 2020	1	—*
Shares allotment	99	—*
At 31 March 2021, 2022 and 30 September 2022	100	—*
Issued and fully paid		
At 31 March 2020	1	—*
Issue of shares	99	—*
At 31 March 2021, 2022 and 30 September 2022	100	—*

* Less than HK$1,000

21. TRADE AND OTHER PAYABLES

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	—	4,934	8,183	24,177
Provision for onerous contract	—	—	—	4,517
Accrued expenses	—	1,127	5,557	4,951
	—	6,061	13,740	33,645

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period.

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	—	3,740	5,964	17,045
31 to 60 days	—	1,113	615	4,009
61 to 90 days	—	80	346	1,364
Over 90 days	—	1	1,258	1,759
	—	4,934	8,183	24,177

22. LEASE LIABILITIES

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The maturity of the lease liabilities payable is as follows:				
Within one year	—	—	532	1,562
More than one year but not exceeding two years	—	—	544	1,520
More than two years but not exceeding five years	—	—	1,009	2,124
	—	—	2,085	5,206
Less: Amount due for settlement within 12 months shown under current liabilities	—	—	532	1,562
Amount due for settlement after 12 months shown under non-current liabilities	—	—	1,553	3,644

23. RETIREMENT BENEFIT PLANS

The Target Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including the directors of the Target Company in Hong Kong. The assets of the MPF Scheme are held separately from those of the Target Group in funds under the control of the independent trustee. Both the Target Group and the employees contribute a fixed percent to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Target Group at rates specified in the rules of the MPF Scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be refunded to the Target Group. There were no forfeited contributions available to be refunded at the end of each reporting periods.

24. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that the entity in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Target Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Group consists of debts comprising amounts due to shareholders and non-controlling shareholder of a subsidiary and lease liabilities disclosed in Notes 18 and 22, and equity comprising issued capital and reserve.

The management of the Target Group reviews the capital structure periodically. As part of this review, the management of the Target Group assesses the annual budget which incorporates the planned construction projects and takes into account of the provision of funding. Based on the proposed annual budget, the management of the Target Group considers the cost of capital and the risks associated with the capital. The management of the Target Group also balances its overall capital structure through the payment of dividends, the issue of new share as well as new debts or the redemption of existing debts.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at amortised cost	—	40,099	56,337	43,117
Financial liabilities				
Financial liabilities at amortised cost	—	35,914	46,131	74,436

(b) Financial risk management objectives and policies

The management of the Target Group has overall responsibility for the establishment and oversight of the Target Group's risk management framework. The Target Group's risk management policies are established to identify and analyse the risks encountered by the Target Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Target Group's activities. The Target Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no material change to the Target Group's exposure to market risks or the manner in which it manages and measures these risks.

(i) Market risk

The Target Group's activities expose primarily to the financial risks of changes in interest rates.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk due to the fluctuation of prescribed interest rates on bank balances (Note 19) and lease liabilities (Note 22).

The management of the Target Group manages the interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The sensitivity analysis is unrepresentative of the interest rate risk as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and lease liabilities are insignificant.

Currency risk

The Target Group has no significant foreign currency risk as all of the operations are denominated in HK$ which is also the functional currency of the Target Group.

(ii) Credit risk and impairment management

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group is arising from the financial assets as disclosed in the consolidated statements of financial position. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Target Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group performs impairment assessment under ECL model on financial assets at amortised cost individually or collectively, where appropriate. In this regard, the management of the Target Group considers that the Target Group's credit risk is significantly reduced.

The Target Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any significant past-due amounts	Lifetime ECL — not credit- impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit- impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit- impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off	Lifetime ECL — credit- impaired

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Target Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Target Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The management of the Target Group calculates ECL for the trade receivables which is assessed individually based on historical credit loss experience, and the forward-looking information at the reporting date. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

In addition, the directors of the Target Company are of the opinion that there has no default occurred for trade receivables past due 90 days and the balances are still considered fully recoverable due to long term/ongoing relationship and good repayment record from these customers.

The Target Group has concentration of credit risk as nil, nil, 69% and 78% of the total trade receivables as at 31 March 2020, 2021 and 2022 and 30 September 2022 was due from the Target Group's two largest debtors.

Amount due from a related company

In determining the ECL, the management of the Target Group has taken into account the financial position of the entity, adjusted for factors that are specific to these entities and general economic conditions of the industry in which they operate, in estimating the probability of default of the amount as well as the loss upon default. The management of the Target Group determines the amount is subject to material credit loss and loss allowance of HK$2,210,000 and HK$2,450,000 have been recognised against this balance during 31 March 2021 and 2022, respectively.

Other receivables and rental deposits, loan to a director and amounts due from shareholders

The credit risk of other receivables and deposits, loan to a director and amounts due from shareholders are managed through an internal process. The management of the Target Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Target Group has considered the consistently low historical default rate in connection with payments, and concluded the credit risk inherent in the Target Group's outstanding amounts of other receivables and deposits, loan to a director and amounts due from shareholders to be insignificant and no loss allowance was recognised accordingly.

Bank balances

The Target Group's credit risk on bank balances is limited because the counterparties are banks with high credit ratings and good reputation established in Hong Kong. The Target Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances as at 31 March 2020, 2021 and 2022 and 30 September 2022 were considered to be insignificant and no loss allowance was recognised accordingly.

The table below details the credit risk exposures of the Target Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount As at 31 March 2020	2021	2022	As at 30 September 2022
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised costs								
Trade receivables	17	N/A	Low risk	Lifetime ECL	—	—	3,032	19,575
Other receivables and deposits	17	N/A	Low risk	Lifetime ECL	—	5	131	1,006
Loan to a director	18	N/A	Low risk	12-month ECL	—	3,647	9,518	3,070
Amount due from a related company	18	N/A	Low risk	Lifetime ECL	—	37,188	41,025	8,833
Amounts due from shareholders	18	N/A	Low risk	12-month ECL	—*	—*	—*	—*
Bank balances	19	A3-Aa3	N/A	12-month ECL	—	1,469	5,256	13,258
Other item								
Contract assets	17	N/A	Low risk	Lifetime ECL	—	—	21,260	30,668

* Less than HK$1,000

The following tables show reconciliation of loss allowances that have been recognised for trade receivables, contract assets and amount due from a related company.

Trade receivables

	Lifetime ECL (not credit-impaired) *HK$'000*
At 1 April 2020 and 2021	—
- Impairment loss recognised	175
At 31 March 2022	175
- Impairment loss reversed	(175)
- New financial assets originated or purchased	175
At 30 September 2022	175

Contract assets

	Lifetime ECL (not credit-impaired) *HK$'000*
At 1 April 2020 and 2021	—
- Impairment loss recognised	226
At 31 March 2022 and 30 September 2022	226

Amount due from a related company

	Lifetime ECL (not credit-impaired) *HK$'000*
At 1 April 2020	—
- Impairment loss recognised	2,210
At 31 March 2021	2,210
- Impairment loss recognised	240
At 31 March 2022 and 30 September 2022	2,450

(iii) Liquidity risk management

In preparation of the Historical Financial Information, the directors of the Target Company have given due and careful consideration to the future liquidity of the Target Group in light of the Target Group's current liabilities exceeding its current assets by HK$3,444,000 as at 30 September 2022. In the opinion of the directors of the Target Company, the Historical Financial Information has prepared on a going concern basis as Yun Lee Marine Group Holdings Limited, agreed to provide adequate funds to enable the Target Group to meet in full its financial obligations as they fall due in the foreseeable future.

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Target Group to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

Ultimate responsibility for liquidity risk management rests with the management of the Target Group who has built an appropriate liquidity risk management framework for the management of the Target Group's short, medium and long-term funding and liquidity management requirements. The Target Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.

Liquidity and interest risk tables

The following table details the Target Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 1 months	1 - 3 months	3 months - 1 years	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2020							
Trade payables	—	—	—	—	—	—	—
Amounts due to shareholders	—	—	—	—	—	—	—
Amounts due to related companies	—	—	—	—	—	—	—
		—	—	—	—	—	—
Lease liabilities	—	—	—	—	—	—	—

	Weighted average effective interest rate	On demand or less than 1 months	1 - 3 months	3 months - 1 years	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2021							
Trade payables	—	3,740	1,193	1	—	4,934	4,934
Amounts due to shareholders	—	13,400	—	—	—	13,400	13,400
Amounts due to related companies	—	17,580	—	—	—	17,580	17,580
		34,720	1,193	1	—	35,914	35,914
Lease liabilities	—	—	—	—	—	—	—

	Weighted average effective interest rate	On demand or less than 1 months	1 - 3 months	3 months - 1 years	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2022							
Trade payables	—	5,963	962	1,258	—	8,183	8,183
Amount due to shareholders	—	3,400	—	—	—	3,400	3,400
Amounts due to related companies	—	34,548	—	—	—	34,548	34,548
		43,911	962	1,258	—	46,131	46,131
Lease liabilities	2.25	48	95	430	1,603	2,176	2,085

	Weighted average effective interest rate	On demand or less than 1 months	1 - 3 months	3 months - 1 years	1 - 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 September 2022							
Trade payables	—	17,045	5,374	1,758	—	24,177	24,177
Amounts due to shareholders	—	19,100	—	—	—	19,100	19,100
Amounts due to related companies	—	9,188	—	—	—	9,188	9,188
Amount due to a non-controlling shareholder of a subsidiary	—	21,971	—	—	—	21,971	21,971
		67,304	5,374	1,758	—	74,436	74,436
Lease liabilities	2.41	139	278	1,250	3,751	5,418	5,206

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(iv) Fair value

The fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

26. RELATED PARTY DISCLOSURES

The Target Group and Target Company had entered into the following related party transactions and balances during the Relevant Periods:

			For the year/ period ended				
Name of related parties	**Relationship**	**Nature of transactions**	**31 March 2020**	**31 March 2021**	**31 March 2022**	**30 September 2021**	**30 September 2022**
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Yun Lee Marine Holdings Limited	Related company	Construction service income	—	—	19,090	1,573	1,046
		Other income	—	—	118	—	—
		Rental of vessel cost	—	946	9,544	2,792	4,969
		Purchase of material	—	15,306	54,377	25,066	—
		Fuel and oil cost	—	—	—	—	197
		Repair and maintenance	—	—	22	22	—
		Acquire machinery	—	1,994	—	—	—
B. C. Contractors Limited	Entity over which Mr. Shek has control	Construction service income	—	37,058	3,829	3,829	—
Chung Kong Marine Engineering Ltd	Entity over which Mr. Shek and Mr. Wong have control	Construction service income	—	230	2,315	912	—
		Rental of vessel cost	—	—	—	—	480
		Rental of lighter	—	—	1,483	698	3,020
		Rental of machines	—	—	—	—	875
		Tools and equipment	—	—	—	—	150
		Testing fee	—	—	66	66	—
		Acquire motor vehicles	—	—	—	—	940

Name of related parties	Relationship	Nature of transactions	For the year/ period ended 31 March 2020	31 March 2021	31 March 2022	30 September 2022
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Shek	Director & Shareholder	Amount due from	—	3,647	9,518	3,070
Chan Shing Lam	Director & Shareholder	Amount due from	—	—*	—*	—*
		Amount due to	—	7,700	1,700	19,100
Chow Wai Ming	Director & Shareholder	Amount due from	—	—*	—*	—*
		Amount due to	—	5,700	1,700	—
Universal Marine	Director & Shareholder	Amount due from	—	—*	—*	—*
B. C. Contractors Limited	Related company	Amount due from	—	34,978	38,575	6,383
Yun Lee Marine Holdings Limited	Related company	Amount due from	—	—	123	363
		Amount due to	—	17,580	34,671	5,177
Chung Kong Marine Engineering Ltd	Related company	Amount due to	—	—	—	4,374
U-Tech Engineering Company Limited	Non-controlling shareholder of a subsidiary	Amount due to	—	—	—	21,971

Compensation of key management personnel

The remuneration of directors of the Target Company of the Relevant Periods and other members of key management during the Relevant Periods was as follows:

	As at 31 March 2020	2021	2022	As at 30 September 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and other benefits	—	818	2,116	1,154
Retirement benefit scheme contributions	—	19	50	31
	—	837	2,166	1,185

The remuneration of directors of the Target Company of the Relevant Periods and key executives is determined with reference to the performance of individuals and market trends.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Target Group's consolidated statements of cash flows as cash flows from financing activities.

	Amount due to a non-controlling shareholder of a subsidiary	Lease liabilities	Amounts due to shareholders	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	—	—	—	—
Financing cash flows (note)	—	—	13,400	13,400
At 31 March 2021	—	—	13,400	13,400
New leases entered	—	2,294	—	2,294
Financing cash flows (note)	—	(219)	(10,000)	(10,219)
Finance costs	—	10	—	10
At 31 March 2022	—	2,085	3,400	5,485
New leases entered	—	3,786	—	3,786
Financing cash flows (note)	21,971	(710)	15,700	36,961
Finance costs	—	45	—	45
At 30 September 2022	21,971	5,206	19,100	46,277
At 1 April 2021	—	—	13,400	13,400
Financing cash flows (note)	—	—	(10,000)	(10,000)
At 30 September 2021 (unaudited)	—	—	3,400	3,400

Note: The financing cash-flows include repayments of lease liabilities and interest, advances from and repayments to shareholders and a non-controlling shareholder of a subsidiary.

28. STATEMENTS OF FINANCIAL POSITION AND RESERVE OF THE TARGET COMPANY

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Plant and equipment	—	2,349	2,284	5,269
Deposit for acquisition of plant and equipment	—	—	—	4,680
Right-of-use assets	—	—	2,183	5,450
Deferred tax assets	—	86	—	2,874
Rental deposits	—	—	—	97
Investment in a subsidiary	—	—	—	—*
	—	2,435	4,467	18,370
Current assets				
Debtors, deposits and prepayments	—	5	3,338	35,520
Amounts due from shareholders	—*	—*	—*	—*
Loan to a director	—	3,647	9,518	3,070
Amount due a from related company	—	34,978	38,575	6,383
Amount due from a subsidiary	—	—	—	8
Contract assets	—	—	21,034	30,442
Bank balances	—	1,469	5,256	13,258
	—	40,099	77,721	88,681
Current liabilities				
Trade and other payables	—	6,061	13,740	33,645
Contract liabilities	—	—	—	2,076
Amounts due to shareholders	—	13,400	3,400	19,100
Amounts due to related companies	—	17,580	34,548	9,188
Amount due to a non-controlling shareholder of a subsidiary	—	—	—	21,971
Tax payables	—	958	4,575	4,575
Lease liabilities	—	—	532	1,562
	—	37,999	56,795	92,117
Net current assets (liabilities)	—	2,100	20,926	(3,436)
Total assets less current liabilities	—	4,535	25,393	14,934

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Lease liabilities	—	—	1,553	3,644
Deferred tax liabilities	—	—	99	—
	—	—	1,652	3,644
Net assets	—	4,535	23,741	11,290
Equity attributable to owners of the Target Company				
Share capital	—*	—*	—*	—*
Reserve	—	4,535	23,741	11,290
Total equity	—	4,535	23,741	11,290

* Less than HK$1,000

	Share capital	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2019 and 31 March 2020	—*	—	—*
Issue of ordinary shares	—*	—	—*
Profit for the year	—	4,535	4,535
At 31 March 2021	—*	4,535	4,535
Profit for the year	—	19,206	19,206
At 31 March 2022	—*	23,741	23,741
Loss for the period	—	(12,451)	(12,451)
At 30 September 2022	—*	11,290	11,290

Non-controlling interest is not disclosed, as in the opinion of the directors of the Target Company, non-controlling interest does not have material movement.

29. PARTICULAR OF A SUBSIDIARY

During the Relevant Periods and as at the date of this report, the Target Company has direct shareholding/equity interest in the following subsidiary:

Name of subsidiary	Date of incorporation/ place establishment	Issued and fully paid share	Shareholding/equity interest attributable to the Target Company as at					Principal activity
			31 March 2020	31 March 2021	31 March 2022	30 September 2022	The date of this report	
Yun Lee (Tim Kee) — U-Tech Joint Venture Limited	5 July 2022, Hong Kong	HK$100	N/A	N/A	N/A	75%	75%	Inactive

The subsidiary is a limited liability company and has adopted the same financial year end date of the Target Company as its financial year end date.

No statutory audited financial statements of Yun Lee (Tim Kee) — U-Tech Joint Venture Limited has been prepared as it is newly incorporated and the financial statements have not yet been due to issue.

The subsidiary had not issued any debt securities at the end of the reporting period.

30. EVENT AFTER THE REPORTING PERIODS

Save as disclosed elsewhere in this report, there are no significant events subsequent to 30 September 2022.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or its subsidiary have been prepared in respect of any period subsequent to the end of the Relevant Periods.

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation

In connection with the proposed major and connected acquisition of 34% equity interests in Yun Lee (Tim Kee) Marine Construction Limited (the "Target Company") (the "Proposed Acquisition"), the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is solely for the purpose to illustrate the effect of the Proposed Acquisition on the Group's financial position as at 30 September 2022 as if the Proposed Acquisition had been completed on 30 September 2022.

The Unaudited Pro Forma Financial Information is prepared based on information on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022, which has been extracted from the published interim report of the Company for the six months ended 30 September 2022, and after making pro forma adjustments relating to the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition; and (ii) factually supportable as if the Proposed Acquisition had been undertaken as at 30 September 2022.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 30 September 2022, nor to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 September 2022, the accountants' report of the Target Group as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

(II) Unaudited Pro Forma Financial Information

The Unaudited Pro Forma Financial Information as at 30 September 2022 is presented in Hong Kong Dollar ("HK$") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

	The Group as of 30 September 2022	Target Group as of 30 September 2022	Unaudited pro forma adjustments			Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i)		*Note (ii)*	*Note (iii)*	*Note (iv)*	
	(Unaudited)					
ASSETS						
Non-current assets						
Property, plant and equipment	120,006	5,269	—	—	—	125,275
Deposit for acquisition of property, plant and equipment	2,500	4,680	—	—	—	7,180
Right-of-use assets	2,190	5,450	—	—	—	7,640
Interests in associates	6,759	—	—	—	—	6,759
Other non-current asset	3,100	—	—	—	—	3,100
Rental deposits	—	97	—	—	—	97
Goodwill	—	—	29,946	—	—	29,946
Deferred tax assets	1,274	2,874	—	—	—	4,148
	135,829	18,370	29,946	—	—	184,145
Current assets						
Trade and other receivables	52,519	35,520	—	(4,814)	(1,313)	81,912
Tax recoverable	165	—	—	—	—	165
Time deposits	73,100	—	—	—	—	73,100
Bank balances and cash	69,637	13,258	(11,900)	—	—	70,995
Amount due from a related company	—	6,383	—	—	—	6,383
Amounts due from shareholders	—	—*	—	—	—	—*
Loan to a director	—	3,070	—	(3,070)	—	—
Loan to a non-controlling shareholder of a subsidiary	—	—	—	3,070	—	3,070
Contract assets	—	30,442	—	—	—	30,442
Total current assets	195,421	88,673	(11,900)	(4,814)	(1,313)	266,067
Total assets	331,250	107,043	18,046	(4,814)	(1,313)	450,212

* Less than HK$1,000

	The Group as of 30 September 2022	Target Group as of 30 September 2022	Unaudited pro forma adjustments			Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (i)		*Note (ii)*	*Note (iii)*	*Note (iv)*	
	(Unaudited)	*(Unaudited)*				*(Unaudited)*
LIABILITIES						
Non-current liabilities						
Lease liabilities	265	3,644	—	—	—	3,909
Promissory notes	—	—	11,900	—	—	11,900
Deferred tax liabilities	12,013	—	—	—	—	12,013
	12,278	3,644	11,900	—	—	27,822
Current liabilities						
Trade and other payables	35,765	33,645	—	—	—	69,410
Contract liabilities	—	2,076	—	—	—	2,076
Amounts due to associates	3,512	—	—	—	—	3,512
Amounts due to non-controlling shareholders of subsidiaries	4,900	21,971	—	—	—	26,871
Amounts due to related companies	—	9,188	—	(4,814)	—	4,374
Amount due to a shareholder	—	19,100	—	—	—	19,100
Lease liabilities	1,953	1,562	—	—	—	3,515
Tax payables	5,178	4,575	—	—	—	9,753
	51,308	92,117	—	(4,814)	—	138,611
Total liabilities	63,586	95,761	11,900	(4,814)	—	166,433

* Less than HK$1,000

Notes to the Unaudited Pro Forma Financial Information

i. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022 as set out in the published interim report of the Company for the six months ended 30 September 2022 issued on 28 December 2022.

ii. According to the conditional sale and purchase agreement (the "Agreement") entered into by the Group on 13 January 2023, the consideration for the Proposed Acquisition is HK$23.8 million (the "Consideration").

The details on the Group's cost of investment in the Target Group at the date of Proposed Acquisition are illustrated below:

	Notes	*HK$'000*
Fair value of consideration	*a*	23,800
Add: Fair value of previously held 17% equity interests of the Target Group	*b*	11,900
Add: Non-controlling interests	*b*	5,528
Less: Fair value of identifiable assets and liabilities to be acquired, representing the carrying amount of net assets of the Target Group as at 30 September 2022 extracted from the accountants' report of the Target Group set out in the Appendix II to this circular	*c*	(11,282)
Pro Forma Goodwill	*d*	29,946

Notes:

(a) As stipulated in the Sale and Purchase Agreement as set out in the Letter from the Board of this circular, deposit of HK$5,950,000 shall be payable by cheque by the Purchaser to the Vendor upon entering into the Agreement. HK$5,950,000 in aggregate shall be payable by cheque by the Purchaser to Vendor 1 and 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. Pursuant to the Promissory Note to be entered by the Purchaser and Vendor 1 and Vendor 2 on the Completion Date, the Purchaser as the debtor promises to pay the principal of HK$11,900,000 and interest accrued at the rate of 5% per annum to the Vendors as the creditors in full.

The valuations of the Profit Guarantee and the Promissory Note are based on the Directors' estimation and the estimated likelihood of fulfilment of the exercise conditions of the Profit Guarantee and the Promissory Note as set out in the Letter from the Board to this circular. Based on the assumptions and the scenario analysis performed by management, the likelihood of exercise of the Profit Guarantee is minimal and the Promissory Note is estimated to its fair value as at 30 September 2022.

(b) The directors of the Company have assessed that the fair value of the interest in an associate to be measured at its proportionate share in the fair value of consideration.

The non-controlling interests of the Target Group is measured at their proportionate share in the carrying amount of the Target Group's identifiable net assets as at 30 September 2022.

(c) For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors expect that the carrying amounts of identifiable assets and liabilities of the Target Group approximate their respective fair values as at 30 September 2022.

(d) The pro forma goodwill is attributable to the synergies arising from the Proposed Acquisition, workforce and the future profitability of the acquired business. For the purpose of the Unaudited Pro Forma Financial Information, the Directors have made an assessment on whether there is any impairment in respect of the goodwill arising from the Proposed Acquisition with reference to Hong Kong Accounting Standards 36 "Impairment of Assets". The Group will adopt consistent accounting policies and principal assumptions and valuation method (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's goodwill in the future and communicate such basis with its external auditor and audit committee.

Since the fair value and the carrying amount of the identifiable assets and liabilities of the Target Group at the actual completion date may be different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the amount of goodwill to be recorded in the consolidated financial statements of the Enlarged Group at the actual completion date may be different from the estimated amount presented above.

iii. The adjustment represents intercompany balances elimination and reclassification between the Group and the Target Group upon completion of the Proposed Acquisition.

iv. The adjustment represents the estimated professional fees that would have been incurred and charged to profit or loss for the Proposed Acquisition.

v. Apart from the notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2022 for the purpose of preparation of the Unaudited Pro Forma Financial Information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Yun Lee Marine Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yun Lee Marine Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 September 2022 and related notes as set out on pages III-1 to III-8 of the circular issued by the Company dated 31 March 2023 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-8 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed major and connected acquisition of 34% equity interests in Yun Lee (Tim Kee) Marine Construction Limited ("Proposed Acquisition") on the Group's financial position as at 30 September 2022 as if the Proposed Acquisition had taken place at 30 September 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 September 2022, on which no review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2023

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules, were as follows:

Name		**Number of Shares**	**Current percentage of total number of Shares**
Kitling Investments (BVI) Limited	*Note*	558,858,750	55.89%
Wen Tsz Kit Bondy		558,858,750	55.89%
Chan Sau Ling Amy		558,858,750	55.89%

Note: The entire issued share capital of Kitling Investments (BVI) Limited is beneficially owned by Mr. Wen TszKit Bondy and Ms. Chan Sau Ling Amy as to 70% and 30% respectively.

Save as disclosed above, as at the Latest Practicable Date, no other Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

At the Latest Practicable Date, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position in the shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

The Company leased Flat B4, 27/F., Shun Lee Building, 220 Ferry Street, Kowloon, Hong Kong from Ms. Chan Sau Ling Amy at HK$12,000 per month from 1 January 2022 to 31 December 2023 and the Company leased Flat B6, 27/F., Shun Lee Building, 220 Ferry Street, Kowloon, Hong Kong from Metro Key Investment Limited at HK$11,000 per month from 1 January 2022 to 31 December 2023. Metro Key Investment Limited is owned as at 99.99% by Mr. Wen Tsz Kit Bondy.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Enlarged Group since 31 March 2022, being the date of the latest published audited financial statements of the Group. None of the Directors or any of their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Enlarged Group subsisting as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

(i) the Agreement.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any material litigations or claims and no litigations or claims of material importance is pending or threatened against the Company or any member of the Enlarged Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in businesses, which compete or are likely to compete, either directly or indirectly, with the business of the Enlarged Group.

9. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Cerfified public accountants
Merdeka Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the IFA

(i) As at the Latest Practicable Date, each of the above experts had no shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(ii) As at the Latest Practicable Date, each of the above experts did not have any interest, direct or indirect, in any assets which have been, since 31 March 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(iii) Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) and references to its name in the form and context in which it appears.

(iv) The letter or report (as the case may be) from each of the above experts is given as of the date of this circular for incorporation therein.

10. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up.

11. GENERAL

(i) Unless otherwise stated, the English text of this circular shall prevail over the Chinese text in case of inconsistency.

(ii) The company secretary of the Company is Mr. Mui Yuk Wah ("**Mr. Mui**"). Mr. Mui graduated with a bachelor's degree in Bachelor of Social Science in Economics from The Chinese University of Hong Kong. Mr. Mui is a member of the Hong Kong Institute of Certified Public Accountants.

(iii) The registered office of the Company is situated at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

(iv) The principal place of business of the Company is Flat D, 31/F., Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

(v) The principal share registrar and transfer office of the Company is Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

(vi) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be published on the Exchange's website and the Company's website from the date of this circular up to and including the date which is 14 days from the date of this circular:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for each of the three financial years ended 31 March 2020, 2021 and 2022;

(iii) the letter from the Board, the text of which is set out in the section headed "*Letter from the Board*" of this circular;

(iv) the letter from the Independent Board Committee, the text of which is set out in the section headed "*Letter from the Independent Board Committee*" of this circular;

(v) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "*Letter from the Independent Financial Adviser*" of this circular;

(vi) the financial information of the Group as set out in Appendix I to this circular;

(vii) the accountant report dated 31 March 2023 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;

(viii) the unaudited pro forma financial information of the enlarged Group as set out in Appendix III to this circular;

(ix) the material contracts referred to in the paragraph headed "*Material Contracts*" in this Appendix;

(x) the written consents referred to in the paragraph headed "*Experts and Consents*" in this Appendix; and

(xi) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting ("**EGM**") of the Company will be held at Level 22, Nexxus Building, 41 Connaught Road Central, Hong Kong on Tuesday, 25 April 2023 at 2:00 p.m for the following purpose of considering and, if thought fit, passing with or without amendment, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

1. the agreement dated 13 January 2023 (the "**Agreement**") entered into between UNIVERSAL MARINE SERVICES LIMITED, an indirect wholly owned subsidiary of the Company (the "**Purchaser**"), CHAN SHING LAM ("**Vendor 1**") and CHOW WAI MING ("**Vendor 2**") (Vendor 1 and Vendor 2 together, the "**Vendors**") pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase 34% of entire issued and paid up share capital of Yun Lee (Tim Kee) Marine Construction Limited for the consideration of HK$23,800,000 and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;

2. any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to do all such acts and things and execute all such documents (in case of execution of documents under seal, to do so by any two Directors) and to take such steps which he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder;

3. (a) Ms. Chan Hei Ting be re-elected as independent non-executive Director; and

   (b) Ms. Hong Ting be re-elected as independent non-executive Director."

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

Hong Kong, 31 March 2023

Notes:

1. A form of proxy for the EGM is enclosed.

2. Only members are entitled to attend and vote at the meeting (or at any adjournment thereof).

3. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him/her. A proxy need not be a member of the Company.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same. To be valid, the instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof.

5. The register of members of the Company will be closed from Thursday, 20 April 2023 to Tuesday, 25 April 2023, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than Wednesday, 19 April 2023.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement on the website of Company at www.yunlee.com.hk and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.