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

SHARE OFFER

Sponsor

MESSIS 大有融資

Financial Adviser

KTG 高信融資 Karl Thomson

Joint Bookrunners

Business Securities Limited 東信證券有限公司

SBI China Capital

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

SHARE OFFER

Number of Offer Shares	**:**	**250,000,000 Shares, comprising 187,500,000 New Shares and 62,500,000 Sale Shares**
Number of Placing Shares	**:**	**25,000,000 Shares, comprising 25,000,000 Sale Shares (subject to re-allocation)**
Number of Public Offer Shares	**:**	**225,000,000 Shares, comprising 187,500,000 New Shares and 37,500,000 Sale Shares (subject to re-allocation)**
Offer Price	**:**	**Not more than HK$0.60 per Offer Share and not less than HK$0.50 per Offer Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2682**

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A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection — Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 11 March 2019, and in any event no later than Tuesday, 12 March 2019. The Offer Price will be not more than HK$0.60 per Offer Share and is expected to be not less than HK$0.50 per Offer Share, unless otherwise announced. If for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Tuesday, 12 March 2019, the Share Offer (including the Public Offer) will not proceed and will lapse.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with consent of the Company (for itself and on behalf of the Selling Shareholder), reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Share Offer. In such a case, please refer to the arrangements set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the Underwriting Agreements, the Joint Bookrunners (for themselves and on behalf of the Underwriters) have the right in certain circumstances to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting — Public Offer underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

4 March 2019

The Company will issue an announcement to be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.yunlee.com.hk** if there is any change in the following expected timetable of the Public Offer:

	Date[(1)]
	2019
Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Monday, 4 March
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[(2),(3),(4)]	11:30 a.m. on Monday, 11 March
Application lists open[(2)]	11:45 a.m. on Monday, 11 March
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[(3),(5)]	12:00 noon on Monday, 11 March
Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 11 March
Application lists close[(2)]	12:00 noon on Monday, 11 March
Expected Price Determination Date[(6)]	Monday, 11 March
Announcement of the final Offer Price and the level of the indication of interest under the Placing, the level of applications under the Public Offer and the basis of allotment of the Public Offer Shares to be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.yunlee.com.hk** on or before	Friday, 15 March
Results of allocations in the Public Offer (with successful applications' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — 11. Publication of results" in this prospectus from	Friday, 15 March
Results of allocations in the Public Offer to be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Friday, 15 March

	Date[(1)]
	2019
Despatch/collection of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications under the Public Offer on or before[(7)]	Friday, 15 March
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before[(8)]	Friday, 15 March
Dealings in Shares on the Stock Exchange expected to commence at	9:00 a.m. on Monday, 18 March

The application for the Public Offer Shares will commence on Monday, 4 March 2019 through Monday, 11 March 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, 15 March 2019. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Monday, 18 March 2019.

Notes:

1. All times refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 11 March 2019, the application lists will not open on that day. Further information is set out in the section headed "How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.
3. Applicants will not be permitted to submit applications through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted applications and obtained a payment reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. Applicants who apply for Public Offer Shares through the **HK eIPO White Form** service should refer to section headed "How to apply for Public Offer Shares" in this prospectus.
5. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
6. The Price Determination Date is expected to be on or around Monday, 11 March 2019, and in any event no later than Tuesday, 12 March 2019. If for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Tuesday, 12 March 2019, the Share Offer (including the Public Offer) will not proceed and will lapse.

7. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 15 March 2019. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for the applicants who apply on **WHITE** Application Forms.
8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "Refund of your money" in the relevant Application Forms.

Share certificates for the Offer Shares will become valid certificates of title only at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Public Offer underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised in accordance with their respective terms.

For details of the structure of the Share Offer, including its conditions, you should refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction (other than Hong Kong) or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by the Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer. The contents on the Company's website at **www.yunlee.com.hk** do not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

The Group is a maritime services provider in Hong Kong with over 20 years of operating history. Services of the Group include (i) vessel chartering and related services; and (ii) ship management. During the Track Record Period, all of the Group's revenue was generated from Hong Kong and was denominated in Hong Kong dollars. According to the Ipsos Report, the Group had a market share of approximately 4.2% in the local vessel chartering industry in Hong Kong in 2017.

The Group's vessel chartering and related services can be further divided into three categories, namely (i) time charter, where the vessels are chartered for a specific time period on a monthly, daily or hourly basis; (ii) voyage charter, where the vessels are chartered for a specific voyage; and (iii) other related services, such as the provision of crew members, maritime consultation services and vessel repair and maintenance services. The Group's ship management services refer to daily operation, and repair and maintenance services for third-party owned vessels.

The following tables set forth a breakdown of the Group's revenue, gross profit and gross profit margin during the Track Record Period by business segments:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Vessel chartering and related services										
— Time charter services	114,896	77.5	126,648	66.5	160,131	75.2	83,935	74.7	65,886	72.0
— Voyage charter services	13,705	9.2	20,716	10.9	12,110	5.7	6,663	5.9	3,519	3.8
— Other related services	8,466	5.7	15,280	8.0	15,551	7.2	9,442	8.4	9,354	10.2
Sub-total	137,067	92.4	162,644	85.4	187,792	88.1	100,040	89.0	78,759	86.0
Ship management	11,306	7.6	27,748	14.6	25,256	11.9	12,377	11.0	12,781	14.0
Total	148,373	100.0	190,392	100.0	213,048	100.0	112,417	100.0	91,540	100.0

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Vessel chartering and related services	26,772	19.5	35,641	21.9	49,589	26.4	27,633	27.6	24,483	31.1
Ship management	5,494	48.6	14,853	53.5	11,389	45.1	5,476	44.2	6,280	49.1
Total/ overall	32,266	21.7	50,494	26.5	60,978	28.6	33,109	29.5	30,763	33.6

During the Track Record Period, the Group provided time charter services mainly to contractors in Hong Kong and the Group has been providing vessel chartering services in various marine-related infrastructure projects, such as the HZMB Project and the 3RS Project. Customers generally engage the Group for its time charter services on an individual basis. During the Track Record Period, the typical charter period of the Group's time charter services ranged from one day to one year. For voyage charter services, customers will generally place individual order by telephone when the voyage charter services are required. As at the Latest Practicable Date, the Group had 59 vessels operating under time charter and one vessel operating under voyage charter or being standby. As the HZMB Project had been substantially completed during the six months ended 30 September 2018, the Group has gradually re-allocated its vessel fleet to provide vessel chartering services for the 3RS Project and three other major marine-related construction projects, namely the Integrated Waste Management Facilities Phase 1 project, the Tung Chung New Town Extension project — Reclamation and advance works, and the Cross Bay Link — Tseung Kwan O project. According to the Ipsos Report, the 3RS Project has commenced in August 2016 and is expected to be completed in 2023, the Integrated Waste Management Facilities Phase 1 project has commenced in November 2017 and is expected to be completed in 2033, the Tung Chung New Town Extension project — Reclamation and advance works has commenced in December 2017 and is expected to be completed in 2023 and the Cross Bay Link — Tseung Kwan O project has commenced in July 2018 and is expected to be completed in 2022. As at the Latest Practicable Date, the Group chartered (i) 22 vessels to the contractors of the 3RS Project for an average monthly time chartering fee of approximately HK$216,000 per vessel with charter periods mainly ending in 2019; (ii) five vessels to the contractor of Integrated Waste Management Facilities Phase 1 project for an average monthly time chartering fee of approximately HK$153,000 per vessel with charter periods ending in March 2019; and (iii) 11 vessels to the contractor of Tung Chung New Town Extension project — Reclamation and advance works for an average monthly time chartering fee of approximately HK$192,000 per vessel with charter periods mainly ending in December 2019.

As at 30 September 2018, the Group had only entered into one legally binding ship management contract for two purpose built container vessels, both of which operate 24 hours a day to transport the dewatered sludge from Stonecutters Island and other designated sites to the Sludge Treatment Facilities located at Nim Wan, Tuen Mun. The contract was awarded to MKK Marine in October 2015 with an estimated total contract sum of approximately HK$330.0 million. Please refer to the section headed "Business — Customers — Salient terms of the Group's contracts — Ship management" in this prospectus for further details. It has an operation period of 10 years with an estimated end date of service term being March 2025 and an extension option for five years until March 2030.

The Group generally determines the price of its services on a cost-plus basis. The pricing will be evaluated on an individual basis depending on various factors. For further details, please refer to the section headed "Business — Customers — Pricing strategy" in this prospectus.

VESSEL FLEET OF THE GROUP

The Group's vessel fleet comprises various types of vessels, such as tugs, launches, work boats, dumb lighters, etc. As at the Latest Practicable Date, the Group's vessel fleet had a total of 60 vessels, comprising 21 self-owned vessels and 39 chartered vessels. The following table sets forth a breakdown of the Group's vessel fleet by types of vessels:

	No. of self-owned vessels	No. of chartered vessels	Total
Type of vessel			
Tug	10	2	12
Launch	7	24	31
Work boat	2	4	6
Dumb lighter	—	3	3
Others *(Note)*	2	6	8
Total	**21**	**39**	**60**

Note: Other vessels including dry cargo vessel, special purpose vessel, multi-purposes vessel and dangerous goods carrier.

As at the Latest Practicable Date, the Group's self-owned vessels had an average age of approximately 17.4 years and an average remaining accounting useful life of approximately 12.7 years. For further details of the Group's vessel fleet, please refer to the section headed "Business — Vessel fleet of the Group" in this prospectus.

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Directors estimated that the utilisation rate of the Group's self-owned vessels was approximately 97.8%, 93.7%, 90.7% and 90.2%, respectively, based on the number of days that the Group's self-owned vessels were chartered to the customers under time charter per financial year, whereas the Directors consider that the Group's chartered vessels were fully utilised during the Track Record Period. For further details of the utilisation rate of the Group's vessel fleet, please refer to the section headed "Business — Vessel fleet of the Group — Utilisation rate of the Group's vessel fleet" in this prospectus.

CUSTOMERS

During the Track Record Period, the Group's customers mainly included (i) contractors in Hong Kong; (ii) Government departments; and (iii) vessel chartering services providers. During the Track Record Period, all of the Group's customers were located in Hong Kong and all of the Group's revenue was denominated in Hong Kong dollars. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the total revenue attributable to the largest customer amounted to approximately 43.2%, 40.8%, 27.9% and 26.3% of the Group's total revenue, respectively, while the total revenue attributable to the five largest customers, in aggregate, amounted to approximately 80.7%, 80.2%, 68.2% and 64.6% of the Group's total revenue, respectively. To the best of the knowledge of the Directors, all of the Group's top five customers during the Track Record Period are Independent Third Parties. For further details, please refer to the section headed "Business — Customers" in this prospectus.

SUPPLIERS

During the Track Record Period, the Group's suppliers mainly included (i) vessel suppliers; (ii) fuel suppliers; and (iii) repair and maintenance services providers. During the Track Record Period, the majority of the Group's suppliers were located in Hong Kong and all of the Group's purchases were denominated in Hong Kong dollars. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's total purchases attributable to the Group's largest vessel supplier amounted to approximately 21.9%, 16.8%, 11.7% and 13.3% of the Group's total vessel chartering costs, respectively, while the Group's total purchases attributable to the Group's five largest vessel suppliers, in aggregate, amounted to approximately 53.7%, 41.3%, 35.1% and 45.3% of the Group's total vessel chartering costs, respectively. To the best of the knowledge of the Directors, save for Moon Kee Marine Transportation Co., World Sky Shipping Co., Limited and Eastlink Marine, all of the Group's top five vessel suppliers during the Track Record Period are Independent Third Parties. For further details, please refer to the section headed "Business — Suppliers" in this prospectus.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, to the best knowledge and belief of the Directors, there were 15 Customers—Suppliers, consisting of (i) one contractor, a subsidiary of Customer C, one of the five largest customers of the Group during the Track Record Period; and (ii) 14 vessel chartering services providers, five of which were the five largest vessel suppliers of the Group during the Track Record Period, namely Supplier A, Moon Kee Marine Transportation Co., Supplier B, Supplier D and Supplier F.

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's revenue attributable to the Customers—Suppliers, in aggregate, amounted to approximately HK$4.9 million, HK$1.9 million, HK$1.4 million and HK$2.5 million, respectively, while the Group's purchases attributable to the Customers—Suppliers, in aggregate, amounted to approximately HK$22.0 million, HK$31.1 million, HK$21.3 million and HK$7.3 million, respectively. For further details of the Customers—Suppliers, please refer to the section headed "Business — Overlapping of customers and suppliers" in this prospectus.

SUBCONTRACTORS

During the Track Record Period, the Group occasionally engaged subcontractors to provide qualified and experienced crew members, such as coxswains, engine operators and other crew members, for the operation of its vessels in order to alleviate certain administrative burden. During the Track Record Period, the Group's subcontractors were all located in Hong Kong and all of the Group's subcontracting fees were denominated in Hong Kong dollars. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's total subcontracting fees attributable to the Group's largest subcontractor amounted to approximately 16.9%, 19.3%, 21.0% and 24.2% of the Group's total subcontracting fees, respectively, while the Group's total subcontracting fees attributable to the Group's five largest subcontractors, in aggregate, amounted to approximately 82.6%, 71.2%, 71.2% and 82.7% of the Group's total subcontracting fees, respectively. To the best of the knowledge of the Directors, all of the Group's top five subcontractors during the Track Record Period are Independent Third Parties. For further details, please refer to the section headed "Business — Subcontractors" in this prospectus.

COMPETITIVE STRENGTHS

The Directors consider that there are several competitive strengths that drive the Group's growth in revenue and distinguish the Group from its competitors, which comprise (i) strong presence and proven track record in the maritime services industry in Hong Kong; (ii) comprehensive vessel fleet and established relationships with third-party vessel owners; and (iii) stable and experienced management team with substantial industry expertise and know-how. For further details, please refer to the section headed "Business — Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

The Group aims to achieve sustainable growth in its current business and to strengthen the Group's capability to capture more business opportunities. The Directors intend to achieve the Group's future expansion plans by (i) expanding the Group's vessel fleet and capacity to capture attractive business opportunities; (ii) establishing a shipyard to provide vessel repair and maintenance services; and (iii) further expanding the Group's manpower and enhance the skills of its staff. For further details, please refer to the section headed "Business — Business strategies" in this prospectus.

RISK FACTORS

There are certain risks involved in the Group's business operations, many of which are beyond the Group's control, these risks may limit the Group's ability to execute its strategies successfully. The Directors believe that the following are some major risks that may have a material adverse impact on the Group, namely (i) most of the Group's revenue is derived from non-recurring contracts, failure to obtain new contracts may affect the Group's sustainability and financial performance; (ii) failure to retain qualified personnel to operate the Group's vessel fleet may adversely affect the Group's business operations and financial performance; (iii) the Group or the owners of the Group's chartered vessels may not be able to renew or maintain the Operating Licences of the Group's vessel fleet; (iv) the Group's ability to compete for vessel chartering contracts largely depends on the availability of vessels and there is no guarantee that the Group will be able to renew the charterparties with the owners of the Group's chartered vessels; and (v) the Group's five largest customers, and the HZMB Project and the 3RS Project accounted for a substantial portion of the Group's revenue during the Track Record Period. For further details, please refer to the section headed "Risk factors" in this prospectus.

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds to the Company from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK$0.55, being the mid-point of the Offer Price range, will be approximately HK$74.1 million. The Directors presently intend to apply the net proceeds as follows:

- approximately HK$48.0 million or approximately 64.9% of the net proceeds for acquiring vessels;
- approximately HK$22.0 million or approximately 29.6% of the net proceeds for setting up a shipyard in Hong Kong; and
- approximately HK$4.1 million or approximately 5.5% of the net proceeds for hiring additional staff.

Assuming the Offer Price is fixed at HK$0.55 per Share (being the mid-point of the indicative range of the Offer Price), the Group estimates that the Selling Shareholder will receive net proceeds of approximately HK$24.7 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. The Group will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price range, the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis. For further details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

MARKET AND COMPETITION

According to the Ipsos Report, the vessel chartering industry in Hong Kong is fragmented, the revenue of which increased from approximately HK$3,807.0 million in 2013 to approximately HK$4,042.9 million in 2017, at a CAGR of approximately 1.5%. Such growth was mainly driven by the sustainable capital allocation of maritime and port services from the Government and marine construction. The revenue of the vessel chartering industry in Hong Kong is expected to increase from approximately HK$4,168.0 million in 2018 to approximately HK$4,412.3 million in 2022, at a CAGR of approximately 1.4%. Such increase is expected to be driven by maritime and port infrastructure initiatives taken by the Government and continuous projects of marine construction works. The competition of the vessel chartering industry is fragmented. In 2017, there were over 130 local vessel chartering service providers in Hong Kong and the Group had a market share of approximately 4.2% in the local vessel chartering industry in Hong Kong.

The solid waste vessel management industry in Hong Kong is dominated by three major players, including the Group. The dominance is mainly caused by the limited contracts released by the operating contractors of refuse transfer stations/sludge treatment facility and the long duration of each vessel management contract, ranging from around seven to 15 years. For further details, please refer to the section headed "Industry overview" in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), Kitling (BVI) will be beneficially interested in 62.89% of the issued share capital of the Company, which entitles it to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company. Kitling (BVI) is owned as to 70% by Mr. Wen, an executive Director, chairman of the Board and the chief executive officer of the Company, and 30% by Ms. Chan, an executive Director. Mr. Wen is the spouse of Ms. Chan. As such, each of Mr. Wen, Ms. Chan and Kitling (BVI) is a Controlling Shareholder.

PRE-IPO INVESTMENT

On 28 November 2017, Kitling (BVI) entered into the Pre-IPO Investment Subscription Agreement with Novel Choice, pursuant to which Kitling (BVI) issued the Exchangeable Note to Novel Choice at a consideration of HK$12,500,000, which shall be mandatorily and automatically exchanged for 50,000,000 Shares on the Business Day immediately prior to the completion of the Listing. Immediately upon completion of the Capitalisation Issue and the Share Offer, Novel Choice will directly hold 5.0% of the total issued share capital of the Company. For further details, please refer to the section headed "History, Reorganisation and corporate structure" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The tables below set forth the key financial information of the Group derived from the audited historical financial information set out in the Accountants' Report. The following information should be read in conjunction with the section headed "Financial information" in this prospectus and the consolidated financial statements and related notes in the Accountants' Report.

Highlights of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	148,373	190,392	213,048	112,417	91,540
Gross profit	32,266	50,494	60,978	33,109	30,763
Profit before taxation	18,515	33,516	44,049	25,977	12,716
Profit and total comprehensive income for the year/period attributable to owners of the Company	10,644	22,162	32,398	19,322	9,350

The Group's revenue increase in the years ended 31 March 2016 and 2017 was mainly attributable to the increase in revenue derived from vessel chartering and related services and ship management. Further increase in the Group's revenue in the years ended 31 March 2017 and 2018 was mainly attributable to the combined effect of (i) the increase in revenue derived from vessel chartering and related services; and (ii) the decrease in revenue derived from ship management. The decrease in the Group's revenue for the six months ended 30 September 2018 when compared to that for the six months ended 30 September 2017 was mainly attributable to the decrease in the revenue of the Group's time charter services provided to the construction contractors of the HZMB Project due to the project being substantially completed during the six months ended 30 September 2018.

Cost of revenue of the Group primarily comprises (i) vessel chartering costs; (ii) staff costs; (iii) subcontracting fees; (iv) repair and maintenance expenses; (v) fuel costs; (vi) depreciation expenses; and (vii) other costs. For each of the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018, the Group's cost of revenue amounted to approximately HK$116.1 million, HK$139.9 million, HK$152.1 million, HK$79.3 million and HK$60.8 million, respectively. For further details, please refer to the section headed "Financial information — Principal components of results of operations — Cost of revenue" in this prospectus.

For each of the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018, the Group's gross profit amounted to approximately HK$32.3 million, HK$50.5 million, HK$61.0 million, HK$33.1 million and HK$30.8 million, respectively, representing a gross profit margin of approximately 21.7%, 26.5%, 28.6%, 29.5% and 33.6%, respectively. The decrease in the Group's profit and total comprehensive income for the six months ended 30 September 2018 when compared to that for the six months ended 30 September 2017 was mainly attributable to (i) the slight decrease in the Group's gross profit due to the decrease in the revenue of the Group's time charter services; and (ii) the Group's non-recurring expenses incurred in relation to the Listing for the six months ended 30 September 2018. For further analysis regarding the comparison of the Group's result of operations, please refer to the section headed "Financial information — Comparison of results of operations" in this prospectus.

Highlights of consolidated statements of financial position

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	21,641	27,309	28,661	28,147
Current assets	62,957	83,270	85,267	94,630
Current liabilities	37,933	54,027	41,621	41,166
Net current assets	25,024	29,243	43,646	53,464
Non-current liabilities	3,268	3,603	3,564	3,518
Equity attributable to owners of the Company	36,780	43,367	68,743	78,093

Highlights of consolidated statements of cash flows

	Year ended 31 March			Six months ended 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	16,285	23,371	41,574	3,828
Net cash (used in)/generated from investing activities	(8,947)	(27,731)	(5,815)	4,550
Net cash (used in)/generated from financing activities	(2,217)	10,798	(18,126)	(657)
Cash and cash equivalents at the end of the years	14,542	20,980	38,613	46,334

For further details in relation to the Group's cash flows during the Track Record Period, please refer to the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth a summary of the Group's key financial ratios during the Track Record Period:

	Year ended 31 March			Six months ended 30 September
	2016	**2017**	**2018**	**2018**
Return on total assets	17.8%	25.4%	31.7%	N/A
Return on total equity	34.7%	53.0%	52.6%	N/A
Net profit margin	10.2%	14.7%	17.0%	10.2%
Interest coverage (times)	273.3	278.0	882.0	1,817.6
Current ratio (times)	1.7	1.5	2.0	2.3
Gearing ratio *(Note)*	23.7%	34.7%	19.1%	18.6%
Net debt to equity ratio	Net cash	Net cash	Net cash	Net cash

Note: Gearing ratio is calculated based on the total debts (including amounts due to Directors, amounts due to related parties (except for amount due to Eastlink Marine which is trade nature), amount due to Novel Choice, amount due to Scenic Shipping and bank borrowings) divided by total equity at the end of respective years/period multiplied by 100%.

For the analysis of the Group's key financial ratios during the Track Record Period and details of their respective basis of calculation, please refer to the section headed "Financial information — Key financial ratios" in this prospectus.

CONNECTED TRANSACTIONS

The Group has entered into certain transactions with its connected persons which will continue after the Listing, namely (i) the lease of two properties as staff lounge from Ms. Chan and Metro Key; and (ii) the provision of management services to KEE Marine. Such transactions will constitute fully exempt continuing connected transactions under Chapter 14A of the Listing Rules. For further details, please refer to the section headed “Connected transactions” in this prospectus.

HISTORICAL NON-COMPLIANCE

During the Track Record Period, certain subsidiaries of the Group used two leased properties, in which the permitted use of their occupation permits is domestic use, as general office and registered office. Accordingly, the Group (i) failed to comply with the permitted use of occupation permits of these two leased properties; and (ii) was in breach of section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use. The Group has ceased to use these properties as offices and adopted certain internal control measures to avoid a recurrence of similar non-compliance. The Group has leased a new office in Omega Plaza, Kowloon for general office and operational use in April 2018. The monthly rental of the new office is approximately HK$39,000, therefore, it is expected that the Group’s annual rental expenses will be increased by approximately HK$468,000 for the year ending 31 March 2019. For further details, please refer to the section headed “Business — Non-compliance” in this prospectus.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, the Group had been involved in two civil claims in relation to employment matters which were fully settled as at the Latest Practicable Date and there are potential litigations in relation to 23 work injury accidents reported to the Labour Department of Hong Kong by the Group, in which the injured persons have not yet filed any claims or commenced legal proceedings against the Group. For further details, please refer to the section headed “Business — Litigations and claims” in this prospectus.

RECENT DEVELOPMENT

As at the Latest Practicable Date, the Group had 59 vessels operating under time charter, including 22 vessels chartered to the contractors of 3RS Project, five vessels chartered to the contractors of Integrated Waste Management Facilities Phase 1 project, 11 vessels chartered to the contractors of Tung Chung New Town Extension project — Reclamation and advance works, four vessels chartered to the contractor of Cross Bay Link — Tseung Kwan O project, three vessels chartered to the contractors of HZMB Project, and one vessel operating under voyage charter or being on standby. The Directors expect that the revenue to be recognised for the six months ending 31 March 2019 from (i) all the time charter contracts/work orders on hand as at 30 September 2018; and (ii) all the time charter contracts/work orders newly secured by the Group as the Latest Practicable Date, without taking into account the subsequent changes in chartering fees and number of vessels chartered due to the contracts/work orders renewal from time to time, will amount to approximately HK$43.3

million and HK$11.5 million, respectively. For further details, please refer to the section headed "Business — Time charter services of the Group" in this prospectus. In respect of the Group's ship management services, the Group continues to provide ship management services for the two purpose built container vessels subsequent to the Track Record Period.

Subsequent to the Track Record Period, the Group and a third-party supplier entered into a sale and purchase agreement pursuant to which the Group agreed to purchase and the third-party supplier agreed to sell a second-hand tug with a gross tonnage of approximately 145.0 tonnes for a cash consideration of approximately HK$4.8 million. As at the Latest Practicable Date, the transaction had been completed and title of the second-hand tug under the Certificate of Ownership in the Marine Department had been transferred to the Group, therefore, the Group's self-owned vessels had increased to 21 vessels.

The Directors expect that the Group's profit for the year ending 31 March 2019 will be lower than that for the year ended 31 March 2018, after taking into account certain non-recurring expenses including the Listing expenses and gain on sale of a modified vessel. The Directors are of the view that such decrease was mainly attributable to a time gap between the gradual release of the Group's time chartered vessels from the HZMB Project in the second quarter of 2018 as it had been substantially completed during the six months ended 30 September 2018, whereas the demand for time chartered vessels from other marine construction projects, such as 3RS Project, Integrated Waste Management Facilities Phase 1 project and Tung Chung New Town Extension project — Reclamation and advance works, has gradually increased since the third quarter of 2018.

LISTING EXPENSES

The total estimated expenses in relation to the Listing is approximately HK$38.8 million (based on the mid-point of the Offer Price of HK$0.55 per Share), of which approximately HK$29.1 million is borne by the Group and approximately HK$9.7 million is borne by the Selling Shareholder. For the amount of approximately HK$29.1 million borne by the Group, (i) approximately HK$10.0 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) the remaining amount of approximately HK$19.1 million has been and will be charged to the Group's consolidated statements of profit or loss and other comprehensive income. For the year ended 31 March 2018 and the six months ended 30 September 2018, approximately HK$3.9 million and HK$8.2 million of the Listing expenses has been charged to the Group's consolidated statements of profit or loss and other comprehensive income. Approximately HK$7.0 million is expected to be charged to the Group's consolidated statements of profit or loss and other comprehensive income for the six months ending 31 March 2019.

Expenses in relation to the Listing are non-recurring in nature. The Directors wish to inform the Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 March 2019 will be affected by the estimated expenses in relation to the Listing.

DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, subsidiaries of the Company declared an interim dividend of approximately HK$8,200,000, HK$18,500,000, HK$22,100,000 and nil, respectively, to their then equity owners. As at the Latest Practicable Date, all of the aforesaid dividends were fully settled by the Group.

The Group currently does not have a fixed dividend policy. Dividend to be declared and paid in the future will be subject to the discretion of the Directors depending on the Group's business performance, financial conditions, cash availability, related statutory restrictions, future plans and prospects, and any other factors that the Directors may consider relevant. Any declaration and payment, including the amount of the dividends, will be subject to the Group's constitutional documents and relevant laws.

OFFER STATISTICS

The following table sets forth the statistics based on the assumption that 250,000,000 Offer Shares are issued under the Share Offer:

	Based on the minimum indicative Offer Price of HK$0.50 per Offer Share	**Based on the maximum indicative Offer Price of HK$0.60 per Offer Share**
Market capitalisation of the Company at Listing *(Note 1)*	HK$500 million	HK$600 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share *(Note 2)*	HK$0.15	HK$0.17

Notes:

1. The calculation of market capitalisation is based on the 1,000,000,000 Shares expected to be in issue immediately upon completion of the Share Offer.

2. The unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share is calculated after the adjustments referred to in the section headed "Unaudited pro forma financial information" set out in Appendix II to this prospectus and on the basis of a total of 1,000,000,000 Shares being in issue at the indicative Offer Price of HK$0.50 to HK$0.60 per Share immediately upon completion of the Share Offer.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed "Recent development" and "Listing expenses" in this section, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 30 September 2018 (being the date to which the latest unaudited consolidated financial statements of the Group were prepared), and there is no event since 30 September 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"Accountants' Report"	the accountants' report on the Group as set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them, relating to the Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on 20 September 2018 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 762,480,000 Shares (including the 62,500,000 Sale Shares) to be made upon capitalisation of certain sum standing to the credit of the share premium account of the Company and the issue of 50,000,000 Shares to Novel Choice upon the exercise of the Exchangeable Note as referred to in the section headed "Statutory and general information — A. Further information about the Company — 5. Written resolutions passed by the Shareholders on 26 February 2019" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Yun Lee Marine Group Holdings Limited (潤利海事集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 21 February 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in the context of this prospectus, refers to Kitling (BVI), Mr. Wen and Ms. Chan
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Customer(s) — Supplier(s)"	customer(s) of the Group who was also supplier(s) of the Group at the same time during the Track Record Period
"Deed of Indemnity"	the deed of indemnity dated 20 September 2018 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries, Eastlink Marine and Scenic Shipping) regarding certain indemnities as more particularly set out in the section headed "Statutory and general information — E. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 20 September 2018 executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries, Eastlink Marine and Scenic Shipping) regarding certain non-competition undertakings as more particularly set out in the section headed "Relationship with the Controlling Shareholders — Deed of Non-competition" in this prospectus

"Director(s)"	the director(s) of the Company
"Eastlink Marine"	Eastlink Marine Services Limited (東航海事服務有限公司), a company incorporated with limited liability in Hong Kong on 9 August 2000 and an associate of the Company, which is owned as to 40% by Yun Lee (BVI) and the remaining 60% by Independent Third parties
"Exchangeable Note"	the HK$12,500,000 exchangeable note dated 11 January 2018 issued by Kitling (BVI) in favour of Novel Choice under the Pre-IPO Investment Subscription Agreement, principal terms of which are described in the section headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus
"First Six-Month Period"	has the meaning ascribed to it in the section headed "Underwriting" in this prospectus
"Government"	the government of Hong Kong
"**GREEN** Application Form(s)"	the form(s) of application to be completed by the **HK eIPO White Form** Service Provider
"Group"	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** Service Provider at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by the Company, as specified on the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"HKAS(s)"	Hong Kong Accounting Standard(s) issued by the HKICPA
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s) issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong
"HZMB Project"	the Hong Kong-Zhuhai-Macao Bridge project
"Independent Third Party(ies)"	individual(s) or company(ies) who or which to the best of the Directors' knowledge information and belief, having made all reasonable enquires, is/are not connected person(s) of the Company within the meaning of the Listing Rules
"Ipsos"	Ipsos Limited, an international market research company and an Independent Third Party
"Ipsos Report"	a market research report commissioned by the Group and prepared by Ipsos on the overview of the industries in which the Group operates
"Joint Bookrunners"	Business Securities Limited and SBI China Capital Financial Services Limited
"KEE Marine"	KEE Marine Service & Consultant Limited (大基海事有限公司) (formerly known as Profit Ever Limited (永創利有限公司)), a company incorporated with limited liability in Hong Kong on 18 January 1994, which is wholly owned by Mr. Cheung
"Kitling (BVI)"	Kitling Investments (BVI) Limited, a company incorporated with limited liability in the BVI on 7 November 2017 and one of the Controlling Shareholders, which is owned as to 70% by Mr. Wen and 30% by Ms. Chan
"KMY Marine"	KMY Marine Works & Supplies Limited (formerly known as KMY Tug Limited), a company incorporated with limited liability in Hong Kong on 25 September 2007 and an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	22 February 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
"Legal Counsel"	Ms. YAN Chi Yee Angie, barrister-at-law of Hong Kong

"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Monday, 18 March 2019, on which dealings in the Shares first commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"Macao"	the Macao Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with the GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of the Company adopted on 20 September 2018 and as amended from time to time
"Messis Capital" or "Sponsor"	Messis Capital Limited, the sponsor of the Company for the Listing, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Metro Key"	Metro Key Investment Limited (豐祺投資有限公司), a company incorporated with limited liability in Hong Kong on 12 November 1996, which is owned as at 99.99% by Mr. Wen and 0.01% by Mr. Wen Yiu Pui, the father of Mr. Wen
"MKK Marine"	MKK Marine Services Limited, a company incorporated with limited liability in Hong Kong on 22 August 2014 and an indirect wholly-owned subsidiary of the Company
"Mr. Cheung"	Mr. CHEUNG Tai Kee (張大基), who will own approximately 4.06% of the Company upon Listing and is a director of MKK Marine
"Mr. Chow"	Mr. CHOW Wai Ming (周偉明), who will own approximately 3.05% of the Company upon Listing and is a senior manager of the Group
"Mr. Tang"	Mr. TANG Yiu Chi James (鄧耀智), the sole director and sole shareholder of Novel Choice

"Mr. Wen"	Mr. WEN Tsz Kit Bondy (温子傑), an executive Director, the chairman of the Board, the chief executive officer of the Company, one of the Controlling Shareholders and the spouse of Ms. Chan
"Ms. Chan"	Ms. CHAN Sau Ling Amy (陳秀玲), an executive Director, one of the Controlling Shareholders and the spouse of Mr. Wen
"New Shares"	the new Shares to be offered by the Company under the Share Offer
"Novel Choice"	Novel Choice Ventures Limited (新擇創投有限公司), an international business company with limited liability incorporated in the Republic of Seychelles on 25 September 2017 and the investor of the Pre-IPO Investment, which is wholly owned by Mr. Tang
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined in the manner further described in the section headed "Structure and conditions of the Share Offer — Pricing and allocation — Determining the Offer Price" in this prospectus
"Offer Share(s)"	collectively, the Placing Shares and the Public Offer Shares
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of the Company at the Offer Price subject to the terms and conditions as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Share(s)"	the 25,000,000 Shares (comprising 25,000,000 Sale Shares) initially being offered at the Offer Price for subscription under the Placing subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriter(s) of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

"Placing Underwriting Agreement"	the placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, the Company and the Placing Underwriters
"PRC"	the People's Republic of China, and for the purpose of this prospectus, excludes Hong Kong, Macao and Taiwan
"Pre-IPO Investment"	the pre-IPO investment made by Novel Choice and details of which are described in the section headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus
"Pre-IPO Investment Subscription Agreement"	the subscription agreement dated 28 November 2017 entered into between Kitling (BVI) as the issuer and Novel Choice as the investor in relation to the issue and subscription of the Exchangeable Note in the aggregate principal amount of HK$12,500,000
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Agreement"	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholder) on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Monday, 11 March 2019 (or such later date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholder), but in any event not later than Tuesday, 12 March 2019, on which the Offer Price is to be fixed
"Public Offer"	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in the section headed "Structure and conditions of the Share Offer" in this prospectus and the Application Forms
"Public Offer Share(s)"	the 225,000,000 new Shares (comprising 187,500,000 New Shares and 37,500,000 Sale Shares) initially being offered at the Offer Price for subscription in the Public Offer subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus

"Public Offer Underwriters"	the underwriters of the Public Offer listed in section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the public offer underwriting agreement dated Friday, 1 March 2019 relating to the Public Offer entered into by, among others, the Company, the Selling Shareholder, the Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Relevant Jurisdictions"	has the meaning as it is defined in the section headed "Underwriting" in this prospectus
"Reorganisation"	the reorganisation of the Group for the purpose of the Listing, particulars of which are set out in the section headed "History, Reorganisation and corporate structure" in this prospectus
"Sale Shares"	the 62,500,000 Offer Shares initially offered by the Selling Shareholder at the Offer Price under the Public Offer and the Placing
"Scenic Shipping"	Scenic Shipping Company Limited (明勝船務有限公司), a company incorporated with limited liability in Hong Kong on 5 August 2015 and an associate of the Company, which is owned as to 20% by Universal Marine and the remaining 80% by Independent Third Parties
"Selling Shareholder"	Kitling (BVI), one of the Controlling Shareholders which has offered to sell the Sale Shares in the Share Offer
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Offer"	collectively, the Placing and the Public Offer

"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company pursuant to the written resolutions passed by the Shareholders on 20 September 2018, the principal terms of which are summarised in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to this prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$12,500,000 for the Exchangeable Note
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and the details of which are set out in the section headed "Substantial Shareholders" in this prospectus
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
"Track Record Period"	the three years ended 31 March 2018 and the six months ended 30 September 2018
"Underwriters"	collectively, the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"Universal Marine"	Universal Marine Services Limited (宇航海事服務有限公司), a company incorporated with limited liability in Hong Kong on 6 December 2002 and an indirect wholly-owned subsidiary of the Company
"**WHITE** Application Form(s)"	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"**YELLOW** Application Form(s)"	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
"Yun Lee (BVI)"	Yun Lee Marine Holdings (BVI) Limited (潤利海事控股(英屬維爾京群島)有限公司), a company incorporated with limited liability in the BVI on 16 November 2017 and a direct wholly-owned subsidiary of the Company

"Yun Lee Marine"	Yun Lee Marine Holdings Limited (潤利海事控股有限公司) (formerly known as Yun Lee Holdings Limited (潤利控股有限公司)), a company incorporated with limited liability in Hong Kong on 30 January 2009 and an indirect wholly-owned subsidiary of the Company
"Yun Lee Tug Boat"	Yun Lee Tug Boat Company Limited (潤利拖輪有限公司) (formerly known as Yun Lee Tow Boat Company Limited (潤利拖輪有限公司)), a company incorporated with limited liability in Hong Kong on 15 November 1994 and an indirect wholly-owned subsidiary of the Company
"3RS Project"	the Three-Runway System project in the Hong Kong International Airport
"EUR"	Euro, the lawful currency adopted by 17 of the 27 member states of the European Union
"HK$"	Hong Kong dollars respectively, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to the Company and as they are used in this prospectus in connection with the Group's business. These terms and their given meanings may not correspond to standard industry definitions.

"CAGR"	compound annual growth rate
"Certificate of Ownership"	in relation to a local vessel, its certificate of ownership issued under regulations made under section 89 of the Merchant Shipping (Local Vessels) Ordinance within the meaning of section 2 of the Merchant Shipping (Local Vessels) Ordinance
"charter"	the chartering or hiring of a vessel for a certain purpose at a fixed period of time or for a designated voyage
"charterparty(ies)"	a contract(s) for commercial leasing of a vessel
"Construction Industry Council"	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"hp"	horsepower
"km"	kilometres
"km^2"	square kilometres
"Lands Department"	Lands Department of Hong Kong
"m^2"	square metres
"Marine Department"	Marine Department of Hong Kong
"Merchant Shipping (Local Vessels) Ordinance" or "MS(LV)O"	Merchant Shipping (Local Vessels) Ordinance (Chapter 548 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Operating Licence"	in relation to a local vessel, its licence issued under regulations made under section 89 of the Merchant Shipping (Local Vessels) Ordinance within the meaning of section 2 of the Merchant Shipping (Local Vessels) Ordinance

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases, the words such as "aim", "anticipate", "believe", "estimate", "expect", "going forward", "intend", "may", "plan", "potential", "predict", "propose", "seek", "should", "will", "would" and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- the Group's business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of the Group's business;
- the Group's operation and business prospects;
- the Company's dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which the Group operates;
- future developments in the industry in which the Group operates;
- the trend of the economy of Hong Kong, the United States, the PRC and the world in general; and
- risks identified under the section headed "Risk factors" in this prospectus.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These statements are based on several assumptions, including those regarding the Group's present and future business strategy and the environment in which the Group will operate in the future.

The Group's future results could differ materially from those expressed or implied by such forward-looking statements. In addition, the Group's future performance may be affected by various factors including, without limitation, those discussed in the sections headed "Risk factors" and "Financial information" in this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, the Group's intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in the Company before making any investment decision in relation to the Shares. If any of the possible events as described below, or any other risk factors or uncertainties that the Company is unaware of, materialises, the Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO BUSINESS OF THE GROUP

Most of the Group's revenue is derived from non-recurring contracts, failure to obtain new contracts may affect the Group's sustainability and financial performance

During the Track Record Period, most of the Group's revenue was derived from non-recurring contracts that were awarded on an individual basis. The Group generally does not enter into long-term agreements or master service agreements with its customers. In respect of the Group's vessel chartering services, customers generally engage the Group by entering into individual contracts with the Group or placing individual work orders to the Group, and the customers may terminate the Group's time charter services by giving two weeks of advance notice to the Group. In respect of the Group's ship management services, as at the Latest Practicable Date, the Group has entered into one ship management contract for two purpose built container vessels with an operation period of 10 years and an extension option for five years, and the customer may terminate the contract by giving three months' written notice to the Group.

The Group's customers are not obliged to engage the Group nor renew the contract upon completion of the current contract. In the event that the Group fails to renew the existing contracts or obtain new contracts, the Group's sustainability and financial performance may be adversely affected.

Failure to retain qualified personnel to operate the Group's vessel fleet may adversely affect the Group's business operations and financial performance

The Group relies on qualified personnel to operate its vessel fleet. As at the Latest Practicable Date, the Group had 40 employees holding Local Certificate of Competency — Coxswain and 48 employees holding Local Certificate of Competency — Engine Operator, while 29 of the Group's employees possess both the Local Certificate of Competency — Coxswain and the Local Certificate of Competency — Engine Operator. According to the applicable laws in Hong Kong, seafarers in Hong Kong, including coxswains and engine operators, should hold a Local Certificate of Competency.

There is no assurance that the Group will be able to retain a sufficient number of qualified personnel to operate its vessel fleet nor its employees will be able to renew their certificates. In the event that the Group fails to identify and recruit replacements in a timely manner and the Group's qualified personnel fails to renew their certificates, the shortage of qualified personnel may suspend the Group's business operations. If the cost of staff increases in the future, the Group's financial performance may be affected accordingly.

The Group or the owners of the Group's chartered vessels may not be able to renew or maintain the Operating Licences of the Group's vessel fleet

As required by the applicable laws in Hong Kong, a Certificate of Ownership and an Operating Licence should be obtained prior to the operation of a vessel in the waters of Hong Kong. The Operating Licences granted to local vessels in Hong Kong by the Marine Department have licensing period ranging from one month to 12 months. Any vessels operating without a valid Operating Licence may incur a fine of HK$5,000 or imprisonment of six months being imposed against the person who fails to deliver full operating licences. For further information, please refer to the section headed "Regulatory overview — Hong Kong maritime regulatory compliance" in this prospectus.

As at the Latest Practicable Date, the Group's vessel fleet had a total of 60 vessels, of which the Operating Licences of two vessels will expire in February 2019. The renewal application of Operating Licence is subject to certain requirements and there is no assurance that the Group or the owners of the Group's chartered vessels will be able to renew the Operating Licences of the Group's vessel fleet. For the chartered vessels of the Group, the owners of such vessels are responsible for ensuring the vessels have valid Operating Licences yet the Group cannot ensure that the owners will be able to renew the Operating Licences in a timely manner. If any vessel of the Group's vessel fleet fails to renew or maintain a valid Operating Licence, there may be significant impact on the Group's business operations and reputation. Moreover, the Group's vessels may need to conduct repair and maintenance, depending on the physical condition of the vessels as assessed by the Group, before the renewal of the licences and certificates, which may take time. In the event that the Group arranges repair and maintenance for its vessels and suspends them from operations before the renewal of the relevant licences and certificates, the Group's business operations may be affected as an additional suspension period would arise for such vessels from the time between the completion of inspection and the collection of the renewed licence and certificate. During such period, the Group would incur additional costs to identify and hire replacement vessels which may adversely affect the Group's financial performance. Details of the renewal process for the licences and certificates of the Group's vessels, please refer to the section headed "Business - Licences and permits" in this prospectus.

The Group's ability to compete for vessel chartering contracts largely depends on the availability of vessels and there is no guarantee that the Group will be able to renew the charterparties with the owners of the Group's chartered vessels

The Group relies on its vessels for the provision of vessel chartering services, therefore, the Group's ability to compete for vessel chartering contracts largely depends on the availability of such vessels. The Group's vessel fleet comprised of self-owned vessels and chartered vessels, where the Group and third-party vessel owners entered into charterparties for the hire of the vessels. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's vessel chartering costs amounted to approximately HK$80.6 million, HK$87.6 million, HK$96.2 million and HK$32.1 million, respectively, representing approximately 69.4%, 62.6%, 63.3% and 52.8% of the Group's total cost of revenue.

Among the Group's vessel fleet as at the Latest Practicable Date, 39 vessels out of 60 were chartered to the Group by third-party vessel owners, there is no guarantee that the Group will be able to renew the charterparties of these chartered vessels upon the end of their respective charter periods. In the event that the Group fails to renew its current charterparties or source replacement vessels with comparable costs, the Group's business operations and financial performance may be adversely affected.

The Group's five largest customers, and the HZMB Project and the 3RS Project accounted for a substantial portion of the Group's revenue during the Track Record Period

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's revenue amounted to approximately HK$148.4 million, HK$190.4 million, HK$213.0 million and HK$91.5 million, respectively, of which approximately 80.7%, 80.2%, 68.2% and 64.6% were attributed to the five largest customers, respectively. In particular, the Group's largest customer accounted for approximately 43.2%, 40.8%, 27.9% and 26.3% of its total revenue for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. During the Track Record Period, approximately HK$268.5 million and HK$134.9 million of the Group's revenue were attributable to vessel chartering services relating to the HZMB Project and the 3RS Project, respectively. It is expected that the 3RS Project will be completed in 2023 while the HZMB Project had been substantially completed during the six months ended 30 September 2018.

Despite the ship management contract entered into between MKK Marine and Customer D, the Group does not enter into any long-term written agreements with the other major customers in respect of its vessel chartering and related services. During the Track Record Period, the Group was engaged by its customers for its time charter services on an individual basis through providing quotations or submitting tenders. There is no assurance that the Group would be able to retain the major customers in the future nor secure new engagement for other projects that are of comparable size as the HZMB Project and the 3RS Project upon their respective completion. If the Group is unable to secure new engagements from its major customers and fail to procure a similar level of business from other customers on comparable commercial terms to partly or wholly offset the loss of revenue from these major customers, the Group's results of operations, profitability and liquidity would be materially and adversely affected.

Reduction or delays in infrastructure projects and marine works may affect the Group's business operations and profitability

The Group's major customers are mainly contractors in Hong Kong and therefore their demand for the Group's vessel chartering services are highly dependent on the amount of marine construction works in Hong Kong. There is no guarantee that the level of marine works will maintain at a stable or higher level in the future. Any reduction or delays in infrastructure projects and marine works in Hong Kong may reduce the demand for the Group's vessel chartering services and therefore the Group's business operations and profitability will be affected.

Any material changes in the time chartering fee may affect the Group's financial performance

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's revenue from time charter services amount to approximately 77.5%, 66.5%, 75.1% and 72.0%, respectively, of its total revenue. During the price negotiation process between the Group and its customers, the time chartering fee of each vessel is generally affected by certain factors including (i) the time chartering fee for each type of vessel in the market at the time; (ii) operating time during the chartering period; (iii) specification and condition of the vessels; and (iv) the operation overtime during the chartering period. During the Track Record Period, the Group experienced fluctuations in the time chartering fee for its vessels which were mainly attributable to the changes in vessel operating time provided during the chartering period and the increase in monthly chartering fee. For further details, please refer to the section headed "Financial information — Principal components of results of operations — Revenue" in this prospectus.

There is no guarantee that the Group will be able to maintain the time chartering fee at a stable level in the future and if there are material changes in the time chartering fee for the Group's vessels, the Group's financial performance will be affected.

The Group may not be able to maintain or increase its quotation success rate

The Group mainly obtains the vessel chartering contracts/work orders by submitting quotations to customers. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's quotation success rate was approximately 71.6%, 56.2%, 46.1% and 30.9%, respectively. There are a number of factors in determining the quotation success rate, such as the number of invitations for quotation in each year and the quotations submitted by the Group's competitors each time. As the contracts/work orders awarded are on an individual basis, the Group is required to submit a new quotation to the customer for new invitation or enquiry, even if the customer is an existing customer of the Group. Hence, there is no assurance that the Group will be able to maintain or increase its quotation success rate in the future. In the event that the Group is unable to maintain its quotation success rate, it may have a material and adverse impact on the Group's revenue and business operations. The Group's historical quotation success rates may not be reflective of its future success in submitting quotations.

The Group may fail to accurately estimate its costs or fail to provide services within its cost estimates

Customers of the Group generally engage the Group for its vessel chartering services on an individual basis and the Group has to provide a quotation or go through a tender process in order to secure new customers. The profitability of the Group's services depends on the price of its quotation or tender, which is determined based on the estimated costs to be incurred plus a mark-up. In order to maintain a budgeted profit margin, the Group has to accurately estimate the costs for the services at the time of the submission of the quotation or tender. During the Track Record Period, the Group's time charter services had charter periods generally ranging from one day to one year and the Group's ship management contract has a service period of 10 years with an extension option for five years. The Group's major costs include, among other things, diesel fuel, gross premium and monthly wage of maritime workers. According to the Ipsos Report, (i) the average yearly wholesale price of diesel fuel in Hong Kong increased slightly at a CAGR of approximately 0.4% from 2012 to 2017; (ii) the gross premium of maritime industry in Hong Kong increased at a CAGR of approximately 5.0% from 2012 to 2017; and (iii) the average monthly wage of maritime workers in the vessel chartering industry increased at a CAGR of approximately 8.1% from 2012 to 2016. If the Group fails to accurately estimate its costs or fails to provide services within its cost estimates, its operations and financial performance may be adversely affected.

Failure to collect payments in time could have an adverse effect on the Group's operations, financial position and results of operations

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, the Group's trade receivables amounted to approximately HK$36.4 million, HK$49.3 million, HK$39.5 million and HK$41.5 million, respectively, of which approximately HK$14.7 million, HK$26.1 million, HK$20.4 million and HK$17.6 million were past due but not impaired, respectively. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018 the Group recorded trade receivable turnover days of approximately 74.5 days, 82.1 days, 76.0 days and 80.1 days, respectively, while the credit period granted by the Group to its customers generally ranged from 30 to 60 days.

If the Group fails to collect its trade receivables in time, its cash flow and working capital will be adversely affected. Regardless of whether the past due trade receivables could eventually be collected, the recovery process may be time-consuming, and extra financial and human resources may be required. Furthermore, a significant difference in the actual trade receivable turnover days and the Group's credit period given by its suppliers and subcontractors may lead to significant cash flow mismatch and have a negative impact on the Group's working capital sufficiency. As a result, the Group's operations, financial position and results of operations will be adversely affected.

The Group's insurance coverage may not be sufficient to cover the risks related to its business operations and losses

The operation of vessels carries certain inherent risks, including marine accidents, oil spills or other pollution incidents, grounding, fire, explosions, collisions, as well as business interruptions caused by mechanical failure, labour strikes, human errors, adverse weather conditions and piracy. Any such risks, if materialised, can result in loss of revenue or increase in costs.

The Group has arranged insurance against some of these risks, details of which are set out in the section headed "Business — Insurance" in this prospectus. There is no assurance that all the potential risks are covered or otherwise adequately insured against, that any particular claim would be paid or that the Group would be able to procure adequate insurance coverage for any of these risks at commercially reasonable rates in the future. The Group's insurance policies do not cover risks arising from damages caused by wear and tear, or an act of gross misconduct of the coxswain or the crew of the Group's vessels. The Group has not obtained insurance coverage in respect of loss of revenue due to delay or detention caused by political unrest, labour strikes, arrest, crew desertion, crew illness, infectious diseases, stowaways, drug seizure, inability to load or discharge cargo, all of which are considered as trading risks. The imposition of stricter environmental laws and regulations may also result in increased costs for, or the unavailability of, insurance against the risks of environmental damage or pollution.

The Group's insurance policies contain certain standard deductibles, limitations and exclusions, including limitations and exclusions with respect to certain losses arising from acts of war, terrorism, malicious acts, nuclear forces and wilful misconduct or fraud. In addition, in the event that claims are asserted against the Group, its vessels could be subject to arrest or other judicial process.

Increase in cost of staff may adversely affect the Group's profitability and financial performance

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's staff costs and related expenses amounted to approximately HK$16.8 million, HK$30.7 million, HK$30.0 million and HK$12.4 million, respectively, representing approximately 14.5%, 22.0%, 19.7% and 20.4% of the Group's total cost of revenue, respectively. The supply and cost of staff in Hong Kong are affected by the availability of staff in the labour market as well as economic factors in Hong Kong including the inflation rate and standard of living. In addition, an employee is entitled to be paid wages not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK$34.5 per hour). There is no assurance that the statutory minimum wage will not increase in the future, and that the supply of labour and average cost of staff will be stable. According to the Ipsos Report, the average monthly wage of maritime workers in the vessel chartering industry in Hong Kong has risen from approximately HK$24,356.7 per month in 2012 to approximately HK$33,213.2 per month in 2016, at a CAGR of approximately 8.1%. If the Group cannot identify and recruit staff members to replace departed staff members in a timely manner or the cost of staff increases in the future, the Group's operations and profitability could be adversely affected.

The Group relies on its existing management team and staff

The Group's success and growth depends on the executive Directors, senior management and other staff of the Group who possess the relevant expertise. In particular, the Group's achievement in its historical milestones is substantially attributable to, among other things, Mr. Wen, an executive Director, the chairman of the Board, the chief executive officer of the Company, one of the Controlling Shareholders and the co-founder of the Group, who has over 20 years of experience in the maritime services industry in Hong Kong. Details of the background and experience of Mr. Wen and other key personnel of the Group are set out in the section headed "Directors and senior management" in this prospectus. Therefore, it is crucial to retain competent personnel with necessary industry expertise to serve the Group. The Group has entered into a service agreement with each of its executive Directors and employment contracts with its senior management. There could be an adverse impact on the Group's operations should a significant number of the executive Directors, senior management or other key personnel of the Group with relevant expertise terminate his/her employment with the Group and appropriate persons could not be found to replace them. There is no assurance that the Group will be able to attract and retain capable staff members or that they will not resign in the future.

Labour disputes could disrupt or hinder the Group's business operations

The Group relies upon its employees and subcontractors for its day-to-day operations. It is impossible for the Group to predict and control industrial action or other labour unrest with respect to its employees and subcontractors. Such risk, if materialised, could adversely affect or hinder the Group's normal operating activities, and, if not resolved in a timely manner, may cause material adverse impact on its results of operations. In the event any labour dispute turns into a legal action, the Group may incur extra legal expenses to handle such matters and the Group's financial performance may be adversely affected.

The Group may be exposed to claims by third parties who, if successful, could cause the Group to pay significant damage awards and incur other costs

The Group is exposed to litigation and other legal proceedings as a result of various matters with the customers, suppliers, subcontractors, workers and other parties concerned with the Group's business from time to time. Claims may include claims for compensation due to the provision of substandard services, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation. Any of these proceedings is inherently unpredictable, and awards of excessive damages or compensation to other parties may occur. Although the Group plans to vigorously defend its interests in any legal proceedings that arise in the ordinary course of its business, the Group could in future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations.

The Group's historical growth rate, revenue and profit margin may not be indicative of future growth rate, revenue and profit margin

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's revenue was approximately HK$148.4 million, HK$190.4 million, HK$213.0 million HK$91.5 million, respectively. For the same period, the Group's profit and total comprehensive income was approximately HK$15.1 million, HK$28.1 million, HK$36.2 million and HK$9.4 million, respectively, representing a net profit margin of approximately 10.2%, 14.7%, 17.0% and 10.2%, respectively. For discussions on the Group's results of operations, please refer to the section headed "Financial information" in this prospectus.

There is an inherent risk in using the Group's historical financial information to project or estimate the Group's financial performance in the future as they only reflect the Group's past performance under particular conditions. The Group may not be able to sustain its historical growth rate because of a range of factors, such as increasing labour costs and repair and maintenance costs for its vessels, which may reduce the income and profit margin of the Group. There is no assurance that the Group will be able to achieve its past performance during the Track Record Period. Investors should not solely rely on the Group's historical financial information as an indication of the Group's future financial or operating performance.

Depreciation and other operational expenses in respect of the Group's expansion plans may significantly affect the Group's profitability

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group recorded depreciation expenses for its vessels of approximately HK$1.3 million, HK$1.5 million, HK$1.7 million and HK$0.8 million, respectively. As at 30 September 2018, the carrying value of Group's vessels amounted to approximately HK$22.2 million. As at the Latest Practicable Date, the Group's self-owned vessels had an average remaining accounting useful life of approximately 12.7 years. According to the Group's expansion plans, the Group intends to utilise part of the net proceeds from the Share Offer to expand its vessel fleet by acquiring additional vessels, establish a shipyard as well as acquiring the relevant equipment for providing repair and maintenance services. Based on the Group's current expansion plans, the total amount of estimated expenditure to be capitalised for the year ending 2020 amounted to approximately HK$69.0 million, of which (i) approximately HK$48.0 million related to the total estimated acquisition cost of additional vessels; and (ii) approximately HK$21.0 million related to the estimated construction cost of shipyard and estimated costs of the related machinery and equipment. As such, it is estimated that the Group's depreciation and other operational expenses will substantially increase by approximately HK$7.8 million for the year ending 31 March 2020, upon the operations of additional vessels and the shipyard to be established by the Group, which may significantly affect the Group's profitability. In this regard, it is expected that an addition of approximately HK$0.9 million and HK$6.9 million will be charged as depreciation and other operational expenses for the year ending 31 March 2020, respectively.

Dividends declared in the past may not be indicative of the dividend in the future

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, certain subsidiaries of the Group declared dividends of approximately HK$8,200,000, HK$18,500,000, HK$22,100,000 and nil to its then shareholders, respectively. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on various factors, including without limitation, the results of operations, financial condition, future prospects and other factors which the Directors may determine important. For further details of the dividends of the Company, please refer to the section headed "Financial information — Dividends" in this prospectus. The Group cannot ensure if and when dividends will be paid in the future.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could significantly delay, or even prevent the Group from providing, the Group's services

The Group's operations are subject to uncertainties and contingencies, such as, epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. These extraordinary events are beyond the Group's control and could result in material disruptions in the operations and adversely affect the Group's business. Any such events could reduce or halt the Group's operation, thereby adversely affect the Group's business operation, increase the costs and/or prevent provision of its services, any one of which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be unable to detect, deter and prevent fraud or other misconduct which may be committed by its employees or, vessel suppliers or subcontractors

The Group's employees or vessel suppliers or subcontractors may commit fraud or other misconduct, which may involve, among others, engaging in fraudulent acts or otherwise not complying with applicable laws or regulations or the Group's internal control procedures, or forgery of operating licences of vessels. Such acts could subject the Group to financial losses and harm its business operations and reputation. There is no assurance that the Group will be able to detect, deter and prevent all such actions of its employees or other third parties. Any fraud or other misconducts committed by the Group's employees or vessel suppliers or subcontractors at the expense of the Group's interests, which may include undetected past acts or future acts, may have a material adverse effect on the Group's business operations, reputation and financial performance.

The Group may not be able to implement, continue or effectively manage its business strategies and future plans

The Group's future plans are described in the sections headed "Business — Business strategies" and "Future plans and use of proceeds" in this prospectus. These business plans are based on the Group's current intentions and certain assumptions with reference to the current market situation, which may be hindered by other factors beyond the Group's control, such as the general market conditions, the Government policies, the Group's ability to maintain existing competitive advantages and new market entrants. In addition, the Group's efforts to continue and effectively manage its business expansion may not be successful if the Group expands too rapidly which results in an over-leveraged financial condition, then it may encounter financial difficulties in a business downturn. On the other hand, if the Group fails to expand at a sufficiently rapid pace, the Group may lose its market share and potential customers to its competitors.

There is no assurance that the Group's business plan can be successfully implemented or effectively managed. Should there be any material adverse change in the operating environment that leads to the failure by the Group to implement any part of its business plans or failure to adequately address expansion or acquisition risks, the Group's business prospects, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The Group faces potential failure in capturing the market growth or increasing its market share in the local vessel chartering industry and the Company's growth is limited by the relatively small size of the local vessel chartering market

The consumption demand for the Group's services is subject to the level of growth in the local vessel chartering market and any changes in customers' demand. The Group's performance may deteriorate as a result of any slowdown in the local vessel chartering industry or any changes in industry trends and customers' demand at any time and the Group's future success will depend partly on its ability to anticipate and respond to such changes. According to the Ipsos Report, the Group's market share was approximately 4.2% in terms of revenue in the local vessel chartering industry in 2017, and the local vessel chartering industry is expected to grow at a mild CAGR of 1.4% with total market value at approximately HK$4.4 billion by 2022. If the local vessel chartering industry continues to grow mildly or enters into recession in the future, the Group faces potential failure to capture the market growth or increase its market share in the industry and the Company's growth may be limited by the relatively small size of the local vessel chartering market. Any of these events could adversely affect the Group's competitive advantage and market share, resulting in a material adverse effect on the Group's business, operational results and financial condition.

The maritime services industry is competitive

The maritime services industry in Hong Kong is fragmented and competitive. According to the Ipsos Report, there are over 130 companies that provide similar vessel chartering services as the Group and two companies that provide similar solid waste vessel management services as the Group. Despite the intensive initial capital investment and the technical ability required for new entrants to enter the vessel chartering industry in Hong Kong, the Group faces competition from existing market players and new market entrants.

The Group faces recruitment difficulties due to retiring and ageing manpower and acute succession problems in the maritime industry

According to the Ipsos Report, the maritime services industry in Hong Kong is facing difficulties in recruiting due to the retiring, ageing manpower and decreasing number of young talents willing to enter the industry. Despite the increase in demand for maritime services, the number of qualified workers in Hong Kong for vessel operation fluctuated with an overall declining trend in the last five years, reaching 1,926 workers in 2016. According to Vocational Training Council — Maritime Services Training Board, approximately 59.8% and 71.4% of coxswains and engine operators aged over 50 in 2016, respectively. The Directors consider that the difficulties in recruiting qualified personnel may affect the Group's business operation and financial performance.

The Group operates in a highly regulated industry and significant compliance costs and efforts may adversely affect the Group's business and profitability

Due to the nature of the Group's business, the Group's operations are subject to certain laws and regulations. In particular, the Group's self-owned vessels are required to renew various types of certificates and licences for the operations in Hong Kong within a specific period of time. For further information, please refer to the section headed "Regulatory overview — Hong Kong maritime regulatory compliance" in this prospectus. In association with the renewal application, the Group may have to incur survey fees for inspection of vessels and extra costs for vessels improvements or modifications and maintenance for the purpose of complying with relevant laws and regulations. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred costs related to vessels survey, licence renewals and vessels repair and maintenance of approximately HK$6.4 million, HK$7.6 million, HK$7.6 million and HK$4.1 million, respectively.

In the event that any local maritime laws and regulations which may be amended, supplemented or otherwise modified from time to time by the Government and/or more stringent regulations requiring the Group's compliance are introduced in the future, the Directors are of the view that the extra compliance costs and efforts of the Group may affect its business operation and profitability.

RISKS RELATING TO THE CAYMAN ISLANDS

The ability of shareholders to bring actions or enforce judgments against the Company or the Directors may be limited

The Company is organised under the laws of the Cayman Islands. As a result, a shareholder may not be able to enforce a judgment against the Company or some or all of the Directors and executive officers outside the Cayman Islands. It may not be possible for a shareholder to effect service of process upon the Directors and executive officers within the shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a shareholder will be able to enforce any judgments in civil and commercial matters against the Directors or executive officers who are residents of countries other than those in which judgment is made.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong

The Company is a Cayman Islands company and its corporate affairs are governed by the Companies Law and other laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ from those under the statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For further information, please refer to the section headed "Summary of the constitution of the Company and Cayman Islands Company Law — 3. Cayman Islands company law" in Appendix III to this prospectus.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There has not been any prior public market for the Shares and an active trading market may not develop

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for the Shares. The initial issue price range for the Shares was the result of negotiation between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, amongst others, the following factors:

- variations in the Group's operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by the Group or its competitors;
- changes in investors' perception of the Group and the investment environment generally;
- developments in the maritime services industry in Hong Kong;
- changes in pricing made by the Group or its competitors;
- the liquidity of the market for the Shares; and
- general economic environment and other factors.

Shareholders' interests may be diluted as a result of additional equity fund-raising or additional Shares are issued by the Group in the future

The Group may need to raise additional funds in the future to finance further expansion of its business. If additional funds are raised through the issuance of new equity or equity-linked securities of the Group other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

In addition, the Group may issue additional Shares upon the exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in a reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and share price of the Shares may fluctuate. Further, any disposal of a substantial number of the Shares by the Controlling Shareholders in the public market could adversely affect the market price of the Shares

The price and trading volume of the Shares may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by the Group, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Further, there is no assurance that the Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the Listing. The Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders may have on the market price of the Shares. The sales of the Shares by any of the Controlling Shareholders may materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus with respect to the economies and the industry

Certain facts, statistics and data in this prospectus are derived from various sources including various official Government sources that the Group believes to be reliable and appropriate for such information. However, the Group cannot guarantee the quality or reliability of such source materials and the Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst the Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by the Group, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Underwriters or any of their respective directors, affiliates or advisers. Therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire prospectus and the Group strongly cautions you not to place any reliance on any information contained in press articles, other media and/or research reports regarding the Group, its business, its industry and the Share Offer

There may be press and media coverage regarding the Group or the Share Offer, which may include certain events, financial information, financial projections and other information about the Group that do not appear in this prospectus. The Group has not authorised the disclosure of any other information not contained in this prospectus. The Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus and the Application Forms, the Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

The Group's future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. The Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Company (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and the Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Tuesday, 12 March 2019, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the placing and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Share Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offer of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares, or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any Relevant Jurisdictions. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Share Offer (including the additional Shares which may be issued under the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of the Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought in the near future.

REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Share Offer will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of the Company maintained by Ogier Global (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Selling Shareholder, the Directors, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

SELLING SHAREHOLDER

The Share Offer consists of 250,000,000 Offer Shares, of which 62,500,000 Sale Shares shall be offered for sale by the Selling Shareholder.

Details of the Selling Shareholder are set out in the paragraph headed "Statutory and general information — E. Other information — 14. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the related Application Forms.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on or about Monday, 18 March 2019. The Shares will be traded in board lots of 4,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

ROUNDING

Certain information presented in thousands or millions unit have been rounded up or down. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent totals of individual items. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

For exchange rates translations throughout this prospectus (if any), the Group makes no representations and none should be construed as being made, that any of the Hong Kong dollar or United States dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. WEN Tsz Kit Bondy (温子傑)	Apartment No. 33, 32/F. Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	Chinese
Ms. CHAN Sau Ling Amy (陳秀玲)	Apartment No. 33, 32/F. Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. LIU Hon Por Francis (廖漢波)	51 Eighteenth Street Hong Lok Yuen Tai Po New Territories Hong Kong	Chinese
Mr. WU Tai Cheung (胡大祥)	Unit H, 9/F., Tower 6 Mantin Heights 28 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	British
Mr. FU Bradley (符基業)	Flat A, 68/F. Block 6 38 Tai Hong Street Grand Promenade Sai Wan Ho Hong Kong	Chinese

Please refer to the section headed "Directors and senior management" in this prospectus for further details.

PARTIES INVOLVED

Sponsor	**Messis Capital Limited** *A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* Room 1606, 16th Floor, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Joint Bookrunners and the Public Offer Underwriters	**Business Securities Limited** *A licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO* 18 - 21/F 83 Queen's Road East Wanchai Hong Kong
	SBI China Capital Financial Services Limited *A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO* Unit A2 32/F United Centre 95 Queensway Hong Kong
Public Offer sub-underwriter	**GT Capital Limited** *A licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO* Suites 2508-9, 25th Floor Harbour Centre, 25 Harbour Road Wanchai Hong Kong
Financial Adviser	**Karl Thomson Financial Advisory Limited** Rooms 606-610, 6/F. Tai Yau Building 181 Johnston Road Wanchai Hong Kong

Legal advisers to the Company	*As to Hong Kong law* **Angela Ho & Associates** Unit 1405, 14/F., Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
	As to Hong Kong law in respect of land law **Ms. Yan Chi Yee Angie** *Barrister-at-law* 10/F., New Henry House 10 Ice House Street Central Hong Kong
	As to Cayman Islands law **Ogier** 11th Floor, Central Tower 28 Queen's Road Central Central Hong Kong
Legal advisers to the Sponsor, the Joint Bookrunners and the Underwriters	*As to Hong Kong law* **Addleshaw Goddard (Hong Kong) LLP** 802-804 Champion Tower 3 Garden Road Central Hong Kong
Reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F., One Pacific Place 88 Queensway Hong Kong
Industry consultant	**Ipsos Limited** 22 Floor Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Receiving bank	**DBS Bank (Hong Kong) Limited** 11th Floor, The Center 99 Queen's Road Central Central Hong Kong

Compliance adviser	**Messis Capital Limited** *A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* Room 1606, 16th Floor, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong

Registered office in the Cayman Islands	89 Nexus Way, Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Headquarters 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
Company's website	www.yunlee.com.hk *(Contents contained in this website do not form part of this prospectus)*
Company secretary	Mr. MUI Yuk Wah (梅育華) *Certified Public Accountant* Flat F, 28/F., Block 5 Nan Fung Sun Chuen 40 Greig Road Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. WEN Tsz Kit Bondy (温子傑) Apartment No. 33, 32/F. Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong Ms. CHAN Sau Ling Amy (陳秀玲) Apartment No. 33, 32/F. Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong
Audit Committee	Mr. WU Tai Cheung (胡大祥) *(Chairman)* Mr. LIU Hon Por Francis (廖漢波) Mr. FU Bradley (符基業)
Remuneration Committee	Mr. FU Bradley (符基業) *(Chairman)* Mr. LIU Hon Por Francis (廖漢波) Mr. WU Tai Cheung (胡大祥)
Nomination Committee	Mr. LIU Hon Por Francis (廖漢波) *(Chairman)* Mr. WU Tai Cheung (胡大祥) Mr. FU Bradley (符基業)

Cayman Islands principal share registrar and transfer office	**Ogier Global (Cayman) Limited** 89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Hong Kong Branch Share Registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**Dah Sing Bank, Limited** Everbright Centre 108 Gloucester Road Hong Kong
	DBS Bank (Hong Kong) Limited 11th Floor, The Center 99 Queen's Road Central Central Hong Kong

This and other sections of this prospectus contain information relating to the industry in which the Group operates. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section has been extracted from a market research report commissioned by the Company and prepared by Ipsos, an independent market research agency. The Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. The Company and the Sponsor have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by the Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, any of the Underwriters, their respective directors and officers or any other parties involved in the Share Offer, except lpsos. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

The Group has commissioned Ipsos, an independent market research agency which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of (i) the civil engineering works industry; (ii) vessel chartering industry; and (iii) solid waste vessel management industry, all in Hong Kong at a fee of HK$438,000. The Directors consider that such fee reflects market rates. To provide the above analysis, Ipsos adopted data and intelligence gathering methodology and combined (i) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (ii) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (iii) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Ipsos is wholly owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

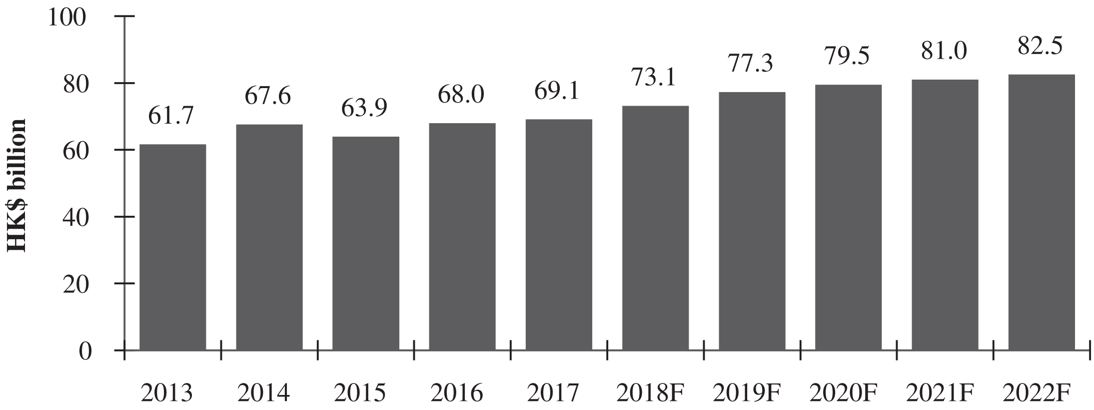
Analysis in the Ipsos Report are based on the certain assumptions, including (i) it is assumed that the global economy remains in steady growth across the period from 2018 to 2022; and (ii) the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the vessel chartering and solid waste vessel management industries in Hong Kong from 2018 to 2022.

Market sizing and forecast models are based on the certain parameters, including (i) the gross output value of civil engineering works performed by main contractors at construction sites in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022; (ii) the gross output value of the local vessel chartering industry in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022; and (iii) historical price trend of key costs related to vessel chartering industry and solid waste vessel management industry in Hong Kong from 2012 to 2017.

The Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, information and belief after making reasonable enquiries, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

CIVIL ENGINEERING WORKS INDUSTRY IN HONG KONG

Gross output value of civil engineering works industry in Hong Kong



Notes:

1. Data refers to the gross value of building construction works in nominal terms performed by main contractors and subcontractors at construction sites.
2. Forecast data is subject to change according to Government's information

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The gross output value of the civil engineering works industry in Hong Kong increased from approximately HK$61.7 billion in 2013 to approximately HK$69.1 billion in 2017, at a CAGR of approximately 2.9%. Such growth was mainly attributable to completed civil engineering projects such as "Kai Tak Development - Stage 1 advance infrastructure works/Kai Tak approach channel" and "Kwun Tong typhoon shelter improvement works (Phase 1)/Site formation for Kai Tak Cruise Terminal Development" and "Dredging of the sea-bed of the Kwai Tsing Container Basin" projects.

It is expected that the gross output value of the civil engineering works industry in Hong Kong will increase from approximately HK$73.1 billion in 2018 to approximately HK$82.5 billion in 2022, at a CAGR of approximately 3.1%. Civil engineering projects which were delayed due to previous filibustering activities are expected to commence in or after 2018, leading to an increase in the estimated gross output value from 2018 to 2022. Despite the slight increase of the gross output value of the civil engineering works industry in Hong Kong from 2018 to 2022, the contribution of marine construction works to the gross output of the civil engineering works industry is expected to remain stable during the said period. The marine construction projects mainly consist of Government's initiatives related to on-going and under-planning infrastructure projects involving marine construction works. These projects include, but not limited to, "Tseung Kwan O — Lam Tin Tunnel", 3RS Project, "Sunny Bay Reclamation, North-East Lantau Island", and "Siu Ho Wan (SHW) Reclamation and Landside Development, North Lantau".

VESSEL CHARTERING INDUSTRY IN HONG KONG

Vessel chartering refers to the contract that a vessel owner hires out the use of his vessel to a charterer. In some cases, a charterer may own cargo and hire a shipbroker to search for a vessel to deliver the cargo to the intended destinations. A charterer may also act as an intermediary between vessel owners and cargo owners who charter a vessel from vessel owner and then trade the vessel to carry cargo at a profitable price, or allowing the vessel to be sub-let out again to other charterers.

Vessel chartering service in Hong Kong can be categorised into (i) sea-going vessel chartering; and (ii) local vessel chartering. Sea-going vessel chartering service refers to the vessel chartering services for transportation requirements in international waters. In contrast, local vessel chartering service refers to the vessel chartering services for supporting transportation requirements within the Hong Kong waters. The Group provides local vessel chartering services in Hong Kong.

Marine construction works and vessel chartering

Marine construction works refer to infrastructure works carried out off-shore and near-shore. The common types of marine construction works in Hong Kong include but not limited to (i) seawall and reclamation; (ii) pier and port construction and maintenance; (iii) marine tunnel related works; (iv) road and bridge works; and (v) submarine cable/pipeline works.

In support of the marine construction related projects, different types of vessels are required during various stages of the project. Launch is the major type of vessel used in the stages before construction, such as during technical feasibility study, planning and engineering study, as well as the environmental impact assessment stages to transport engineers and related personnel to the relevant sites. Launch is also used to transport workers, engineers and related personnel to construction sites during the construction process. Dumb lighter, crane barge, flat-top work barge and hopper barge are often used to transport construction materials to the construction sites or act as flat platform offshore while tug is used to tow dumb lighter and other unpowered vessels during the construction process.

A number of high-profile development projects and infrastructure projects related to marine construction works were initiated by the Government in recent years. These on-going and completed development and infrastructure projects have driven the demand for marine construction works between 2012 and 2017. It is expected that the on-going and under-planning development and infrastructure projects summarised in the following tables will continue to fuel the growth of marine construction works from 2018 to 2022:

On-going projects

Project name	**Estimated contract sum**	**Term**
	HK$ billion	
HZMB Project	Over 100	Commenced in December 2009. The Main Bridge, Hong Kong Link Road and Hong Kong Boundary Crossing Facilities was completed in 2018 while the Tuen Mun-Chek Lap Kok Link is expected to be completed in 2020.
3RS Project	56.2	Commenced in August 2016 and is expected to be completed in 2023.
Sheung Sha Chau - Aviation fuel pipeline diversion works	1.3	Commenced in August 2015 and is expected to be completed in 2023.
Central Kowloon Route - Kai Tak West	6.2	Commenced in January 2018 and is expected to be completed in 2025.
Integrated Waste Management Facilities Phase 1	31.4	Commenced in November 2017 and is expected to be completed in 2033.
Shatin to Central Link	57.7	Commenced in July 2012 and is expected to be completed in 2021.
Central - Wan Chai Bypass and Island Eastern Corridor Link	36.0	Commenced in December 2009 and is expected to be completed in 2019.
Tung Chung New Town Extension	12.1	Commenced in December 2017 and is expected to be completed in 2023.
Tseung Kwan O — Lam Tin Tunnel	15.1	Commenced in July 2016 and is expected to be completed in 2021.
Wan Chai development phase II, engineering works	4.6	Commenced in December 2009. The Central-Wan Chai Bypass West was completed in 2018 while the Central-Wan Chai Bypass East is expected to be completed in early 2019.
Cross Bay Link, Tseung Kwan O	5.6	Commenced in July 2018 and is expected to be completed in 2022.

Sources: Hong Kong Airport Authority, HKSAR; Civil Engineering and Development Department, Environmental Protection Department, HKSAR; HKSAR; Highways Department, HKSAR; Ipsos research and analysis

Under-planning projects

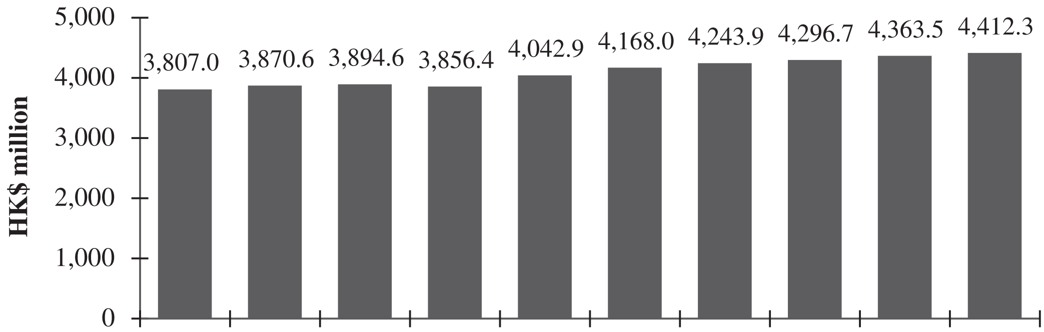
Project name	Term
Sunny Bay Reclamation, North-East Lantau Island	Tentative land formation time will be around 2026 — 2030.
Siu Ho Wan(SHW) Reclamation and Landside Development, North Lantau	Tentative land formation time will be around 2026 — 2030.
Lung Kwu Tan Reclamation	Tentative land formation time will be around 2026 — 2030.
Preservation of Queen's Pier	The project is scheduled to commence in 2019 and will take approximately 48 months to complete.

Sources: Civil Engineering and Development Department, HKSAR; Highways Department, HKSAR; Ipsos research and analysis

Major types of vessel chartering

In Hong Kong, time chartering and voyage chartering are the two major prominent types of local vessel chartering service. Local vessel time chartering refers to the hiring of a vessel and crew for a specific period of time, generally on an hourly, daily or monthly basis. The chartering charges cover the vessel, crew members, repair and maintenance of the vessel. Local vessel voyage chartering refers to hiring of a vessel and crew for a voyage between a load port and a discharge port in domestic water. The maritime service provider is responsible for the provision of vessels, crew members, fuel and maintenance of the vessels.

Gross output value of the local vessel chartering industry in Hong Kong



Notes:

1. Estimated gross output value of the local vessel chartering industry calculates related vessels categorised in Class I and Class II. Class I and II vessels above include launches, multi-purposes vessels, primitive vessels, stationary vessels, crane barges, dangerous goods carriers, dredgers, dry cargo vessels, dumb lighters, edible oil carriers, flat-top work barges, floating docks, floating workshops, hopper barges, landing platforms, landing pontoons, noxious liquid substance carriers, oil carriers, pilot boats, special purpose vessels, stationary vessels, transportation boats, transportation sampans, tugs, water boats and work boats, and excludes ferry vessels and floating restaurants.

2. Expense of diesel fuel is excluded in the estimated revenue.
3. Overtime chartering fee is excluded in the estimated revenue.
4. Class I and Class II vessels also refer to the vessels employed solely within Hong Kong waters which are mainly for marine construction and other local water transportation services.

Source: Marine Department, HKSAR; Ipsos research and analysis

The gross output value of the local vessel chartering industry in Hong Kong increased from approximately HK$3,807.0 million in 2013 to approximately HK$4,042.9 million in 2017, at a CAGR of approximately 1.5%. The stable growth was mainly contributed by the sustainable capital allocation of maritime and port service from the Government, consistent demand of supporting vessel services for loading and unloading cargo, demand for transportation of construction materials and construction workers arising from marine construction works.

It is expected that the gross output value of vessel chartering works in Hong Kong will increase from approximately HK$4,168.0 million in 2018 to approximately HK$4,412.3 million in 2022, at a CAGR of approximately 1.4%. The growth in the local vessel chartering industry is expected to be low and the expected increase is attributed to maritime and port infrastructure initiatives taken by the Government, and continuous projects of marine construction works such as the 3RS Project and "Tung Chung New Town Extension". The overall local vessel chartering industry is expected to remain relatively small.

Number of licensed vessels in the local vessel chartering industry

The number of licensed vessels in the local vessel chartering industry under the Merchant Shipping (Local Vessels) Ordinance, remained stable from 2,108 units in 2012 to 2,213 units in 2017. This is mainly driven by a solid demand in marine transport services for marine construction works and Government marine operations. The number of licensed tugs increased from 168 units in 2012 to 190 units in 2017. The increase in number may potentially be due to an increase in the demand for towage and salvage in (i) lifting and transportation of construction materials within reclamation and other marine construction sites; (ii) assisting berthing within Hong Kong waters; and (iii) assisting in the heavy-lifting of cargo. According to the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation (Chapter 548G of the Laws of Hong Kong), an owner or agent or operator of all local Class I and II vessels including tugs, launches, work boats and dumb lighters (except some specific types) shall have an obligation in obtaining a valid "certificate of survey". A "certificate of survey" for tugs, launches and dumb lighters is normally valid for 12 months from the date of completion of the survey, while a "certificate of survey" for work boat under Class IIB is valid for 24 months from the date of completion of the survey. Appointments for the following survey shall be made upon expiry and renewal of the existing certificate.

There are two major types of surveys under the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation (Chapter 548G of the Laws of Hong Kong): (a) "initial survey" which refers to survey for a new or existing vessel applying for licence for the first time or a licensed vessel were its intended purpose or plying limits as restricted in its original certificate are intended to be altered; and (b) "periodical survey" which refers to a survey for an existing vessel for the renewal or annual endorsement survey or intermediate survey issue of the concerned certificate. The "periodical survey" interval for existing vessels may be annual, biennial or triennial, depending on the types, conditions and compartments of the vessels.

Given the obligation for surveys to be completed within regular intervals, local vessels are required to be inspected with any defected or damaged vessel compartments repaired to ensure it passes the surveys, which creates a sustainable demand for vessel repair and maintenance services in Hong Kong.

Number of licensed coxswains and engine operators

According to the Marine Department, the number of persons holding valid coxswain certificates decreased from 32,632 in 2012 to 24,061 in 2017, resulting in a negative CAGR decline of approximately 5.9%; while the number of persons holding valid engine operator certificates decreased from 17,896 in 2012 to 14,089 in 2017, resulting in a negative CAGR decline of approximately 4.7%. According to the applicable laws in Hong Kong, it is eligible for a seafarer to hold both coxswain and engine operator certificates concurrently if the eligibility criteria of both have been met. The decreasing number of licensed coxswains and engine operators from 2012 to 2017 was mainly due to aging and retirements of local maritime workers and the reluctance of the younger generation to enter the related industries.

Price trend of the major costs

The major costs of the vessel chartering industry in Hong Kong include diesel fuel, gross premium and employee wages.

	Unit	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Approximate CAGR**
Diesel fuel	HK$ per 200 litre-drum	2,030.1	2,092.0	2,093.8	1,879.4	1,882.3	2,070.3	2012-2017: 0.4%
Gross premium	HK$	1,786.0	1,875.2	2,020.5	2,456.8	2,335.8	2,274.7	2012-2017: 5.0%
Monthly wage	HK$ per worker	24,356.7	25,496.2	27,161.3	31,966.0	33,213.2	N/A	2012-2016: 8.1%

Note: Data for average monthly wage of maritime workers in 2017 is expected to be released in December 2018.

Sources: Census and Statistics Department, HKSAR; Transport and Housing Bureau, HKSAR; Ipsos research and analysis

Diesel fuel

The average yearly wholesale price of diesel fuel in Hong Kong remained stable from 2012 to 2014 with a slight growth from approximately HK$2,030.1 per 200 litre-drum in 2012 to approximately HK$2,093.8 per 200 litre-drum in 2014. The average yearly wholesale price of diesel fuel in Hong Kong decreased from HK$2,093.8 per 200 litre-drum 2014 to HK$1,882.3 per 200 litre-drum 2016 as a result of increased production from the Organisation of the Petroleum Exporting Countries. The diesel fuel price increased to approximately HK$2,070.3 per 200 litre-drum in 2017.

Gross premium

As required by the applicable laws in Hong Kong, vessel owners have to maintain valid insurance for its vessels. Gross premium refers to the relevant costs of such insurance. As a result of the increase in number of licensed vessels, the gross premium of maritime industry in Hong Kong increased from approximately HK$1,786.0 million in 2012 to approximately HK$2,274.7 million in 2017, at a CAGR of approximately 5.0%.

Average monthly wage of maritime workers

The average monthly wage for maritime workers in the vessel chartering industry in Hong Kong has risen from approximately HK$24,356.7 per month in 2012 to approximately HK$33,213.2 per month in 2016, at a CAGR of approximately 8.1%. Such increase was due to the rising demand for maritime workers to support new marine construction projects.

COMPETITIVE LANDSCAPE OF THE LOCAL VESSEL CHARTERING INDUSTRY IN HONG KONG

The competition of the local vessel chartering industry is considered fragmented with many players with different business focuses, such as marine construction works and mid-stream operations. In 2017, there were over 130 local vessel chartering service providers in Hong Kong. The competition in the industry is fairly intensive, especially for transporting inland freight and cargo and providing fleets for marine construction works. In 2017, the Group recorded revenue of approximately HK$169.7 million, representing a market share of approximately 4.2% in the local vessel chartering industry in Hong Kong.

The table below sets forth the major players in the local vessel chartering industry in Hong Kong in 2017:

Company	**Headquarter**	**Key business nature**
Company A	Hong Kong	A private company that mainly provides crane barge, flat-top work barge and hopper barge chartering services for marine construction projects in Hong Kong.
Company B	Hong Kong	A private company that provides professional services for mid-stream service, heavy cargo lifting, transportation, cargo handling, salvage and emergency rescue.
Company C	Hong Kong	A private company that provides vessel chartering, catering services, 24-hours motor launch, ferry services for outer island construction sites and high-speed ferry services.
Company D	Hong Kong	A private company that provides local passenger ferry services and licensed ferry services to Tung Ping Chau and Tap Mun, as well as vessel chartering services for marine construction projects in Hong Kong.
Company E	Hong Kong	A private company that specialises in haulage services in Hong Kong. It also provides crane barge and flat-top work barge chartering services for marine construction projects in Hong Kong.
Company F	Hong Kong	A private company that provides barge chartering services for marine construction works in Hong Kong. It also offers regular container feeder services between Hong Kong and Guangdong, the PRC.
The Group	Hong Kong	A maritime service provider that provides (i) vessel chartering and related services; and (ii) ship management services in Hong Kong.

Note: Ipsos included the major players in the local vessel chartering industry in Hong Kong in 2017. The disclosed list of major players was identified by Ipsos through a combination of primary and secondary research methodologies. A board list of industry players was generated by Ipsos via a combination of secondary sources, including but not limited to, major industry associations and official government websites. The broad list of industry players was subsequently vetted and further narrowed down into a short-list of major players via additional primary research works. These primary research works included but not limited to, interviews with stakeholders of the industry such as, industry players, industry experts, associations and construction contractors and other stakeholders. A list of major players was then formulated based on common consensus, and these players were recognised by the various stakeholders and having activities and contributions to local vessel chartering business in the industry.

Source: Ipsos research and analysis

Factors of competition

Portfolio of fleets and crew members

A company that is able to maintain an extensive portfolio of self-owned vessels and chartered vessels is considered a strong competitor within the vessel chartering industry in Hong Kong. Customers from different sectors may require different services such as (i) provision of vessels for various types of construction works; (ii) transportation of construction materials and construction workers; and (iii) providing pools of skilled labours. Companies who are able to offer a wide range of comprehensive fleet management and operation solutions will be able to acquire a larger portion of the market share within the industry. As at the Latest Practicable Date, the Group has retained an extensive fleet of 21 self-owned vessels and 39 chartered vessels, and a well-mixed portfolio of tugs, launches, work boats and dumb lighters. The Group manages to provide a full range of vessels management and operation services to cater the needs of its customers from various sectors.

Business relationships with other participants along the value chain

A maritime service provider is considered competitive if it can maintain a stable business relationship with relevant Government bodies, marine construction contractors, cargo owners and vessel owners. It is a common practice that a local vessel chartering service provider could be a supplier and a customer of another local vessel chartering service provider at the same time as they may require vessels with specific specification to enrich its own vessel portfolio in order to fulfil quantity requirements for designated projects. Therefore, good business relationships with vessel owners increase the maritime service provider's ability in negotiating better leasing terms and procurement flexibility, thereby providing more competitive offerings to the end customers. Well-established historical cooperation relationship with customers would provide greater opportunities for charterers to receive tender invitations and higher chances to win related tenders. The Group has been operating in the vessel chartering industry in Hong Kong for over 20 years and established a long-standing business relationship with its major customers and suppliers. For instance, the Group's reputation in the industry contributes to its stable network of customers which are considered reputable main contractors of large-scale off-shore marine construction works projects in Hong Kong. Such solid relationships may continuously provide higher chances for the Group to receive tender invitations from its customers and quotations with competitive prices from its suppliers.

Ability to offer competitive pricing through effective cost management

In the vessel chartering industry, business is usually awarded through a tendering process or by providing private quotation to customer. Price is one of the key factors in competing in the tendering process as vessel charterers usually provide quotations to clients. Those maritime service providers that are able to conduct effective cost control and offer the most competitive price will be more competitive over their competitors.

Market drivers and opportunities

On-going and under-planning marine construction projects will drive the local vessel chartering industry in Hong Kong

Marine construction works generally include bridges construction across waters, land reclamation, as well as the construction of shipyards, port facilities, waterside facilities and subsea structures. In Hong Kong, marine construction works also require support from local vessels such as tugs, crane barges, dumb lighters, launches and work boats, to perform various types of marine construction works and to transport construction materials and construction workers. For details of the on-going and under-planning marine construction projects, please refer to the sub-section headed "Vessel chartering industry in Hong Kong — Marine construction works and vessel chartering" in this section.

Government's initiative of increasing land supply by reclamation

Reclamation has been an important strategy in increasing the available land supply and supporting the development for Hong Kong. It is common for reclamation work contractors to require support from maritime transportation services. The cumulative reclamation area in Hong Kong increased from approximately 68.3 km^2 in 2012 to approximately 70.3 km^2 in 2017, at a CAGR of approximately 0.6%. According to the 2017 Policy Address, strategies have been proposed for increasing land supply through land reclamation and the speeding up of land renewal. Examples of upcoming reclamation works include "Central Reclamation phase 3 - engineering works" and "Tung Chung New Town Extension - reclamation and advance works". In turn, the demands for vessels and machines to complete on-shore and off-shore works will facilitate the on-going development of local vessel chartering industry in Hong Kong.

Water transportation has unique advantages in flexibility and transport volume

Water transportation, which offers more flexibility and a larger transport volume, will continue to be popular in supporting the transportation works of off-shore and on-shore activities. The demand from off-shore transportation activities include marine construction projects as well as pier construction projects. On-shore activities will also require water transportation services such as shipping raw materials for building construction and logistics management. Leveraging its advantages, an increase in demand for water transportation will also benefit the vessel chartering industry.

New opportunities for Hong Kong port development of Guangdong-Hong Kong and Macao Bay Area initiative

The Guangdong-Hong Kong and Macao Bay Area initiative is an important regional development initiative that aims to promote the cooperation and development of Hong Kong, Macao and the nine cities within the Pearl River Delta region in areas such as trade, logistics, professional services and transportation infrastructure. The initiative will provide opportunities for local vessel chartering in supporting the development of port and maritime industries within the region.

Entry barriers

Industry reputation and well-established networks in maritime service activities

Maritime service providers with a well-developed portfolio, established customer connections and a good reputation in the industry will possess a higher success rate in tendering for local vessel chartering contracts or work orders. By comparison, new entrants, with the absence of proven quality and reliability in providing services, will find it difficult to compete against more established and reputable services providers in the industry. Proven capability in the deployment and allocation of related vessels and resources is critical for maritime service providers to handle the daily operational requirements of its customers' projects. Therefore, it is difficult for new entrants without relevant experience and networks in the vessel chartering industry to compete against existing players.

Sufficient level of capital

Prior to initiating of any projects, maritime service providers have to ensure a sufficient amount of capital for the procurement of required vessels, lease of specialised machineries, recruitment of skilled seaman and experienced management expertise as well as payments for its suppliers. Therefore, a sufficient amount of initial capital and a stable cash flow throughout the duration of the vessel chartering service will allow a higher level of flexibility toward resources allocation and seaman recruitments to fulfil the needs and to meet the timeline of its customers' projects. It would hinder new entrants without such amount of capital from entering the industry.

Threats

Impacts of the filibustering

Filibusters have been staged during the Legislative Council's scrutiny of the Appropriation Bills as well as other bills and public funds. Filibustering has affected the development of the maritime service industry, especially from the perspective of marine infrastructure related works and port related works in Hong Kong in the recent years. The suspension of Government funding for numerous infrastructure projects reduced the number of active projects, which then led to fewer business opportunities for the industry. The continuance of filibustering in the Legislative Council may hinder the future development of the industry.

Labour shortage and ageing workforce

Hong Kong's maritime service industry faces a shortage of labour due to ageing of its workforce and decreasing number of young talents willing to enter the industry. The number of workers engaged in the vessel chartering industry in Hong Kong fluctuated with an overall declining trend from 2,099 persons in 2012 to 1,926 persons in 2016. According to the Vocational Training Council - Maritime Services Training Board, approximately 59.8% and 71.4% of coxswains and engine operators aged over 50, respectively. The lack of experienced seafarers may threaten the development of vessel chartering industry in Hong Kong.

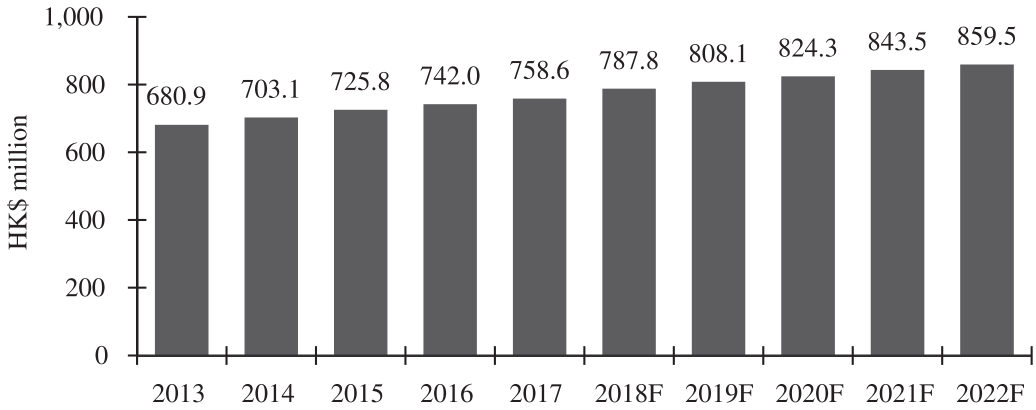
Market outlook of the local vessel repair and maintenance service industry in Hong Kong

The gross output value of the local vessel repair and maintenance service industry in Hong Kong increased from approximately HK$680.9 million in 2013 to approximately HK$758.6 million in 2017, at a CAGR of approximately 2.7%. The increase was mainly attributable to the increasing demand of routine repair and maintenance services from all local vessels. For instance, the number of Class IV vessels increased from 8,491 in 2013 to 9,948 in 2017, at a CAGR of approximately 4.0%. The increase in number of vessels drove the demand for annual inspection and repair and maintenance services.

The gross output value of vessel repair and maintenance service industry is expected to increase from approximately HK$787.8 million in 2018 to approximately HK$859.5 million in 2022, at a CAGR of approximately 2.2%. The expected stable growth is attributed to the demand for repair and maintenance works from an increasing number of ageing vessels. The expected increase in vessel damage rate with continuous usages would, therefore, be expected to further drive the demand for vessel repair and maintenance services in Hong Kong.

The below chart sets forth the gross output value of the local vessel repair and maintenance service industry in Hong Kong from 2013 to 2022:

Gross output value of the local vessel repair and maintenance service industry in Hong Kong



Notes: Estimated gross output value of the local vessel repair and maintenance service industry mainly involves vessels categorised in Class I, Class II, Class III, and Class IV and excludes certain types of vessels such as dangerous goods carriers, dry cargo vessels, edible oil carriers, noxious liquid substance carriers, and oil carriers.

Source: Marine Department, HKSAR; Ipsos research and analysis

Competitive landscape of the local vessel repair and maintenance service industry in Hong Kong

According to local vessels' trade association, vessel owners normally schedule repair and maintenance services one to two months in advance. Furthermore, subject to the services scope, the duration for a vessel repair and maintenance service typically ranges from a week to a few months.

The industry landscape of the local vessel repair and maintenance service industry in Hong Kong is considered consolidated due to the limited number of shipyards with the capability of providing repair and maintenance services in Hong Kong. As of 10 January 2018, there were approximately 70 shipyards providing repair and maintenance services for vessels in Hong Kong. These shipyards are located in different districts in Hong Kong and are generally located in Tsing Yi, Aberdeen, Ap Lei Chau, Ngong Shuen Chau and Shau Kei Wan. These shipyards provide diverse types of repair and maintenance services depending on their capacities as well as expertise. In addition to providing repair and maintenance services for Class I and Class II vessels, these shipyards also provide repair and maintenance services for Class III and Class IV vessels such as local fishing vessels and local pleasure vessels.

According to the Legislative Council document on "Ship repair and maintenance services" dated 10 January 2018, it was suggested that the supply of vessel repair and maintenance services in Hong Kong is limited, as evidenced in (i) the limited number of shipyards in Hong Kong (i.e. approximately 70 shipyards as of 10 January 2018); and (ii) the ageing fleets of vessels in Hong Kong. The combination of ageing fleets of vessels and a limited number of shipyards providing vessel repair and maintenance services has been driving the demand for repair and maintenance services in Hong Kong.

Market drivers of the local vessel repair and maintenance service industry in Hong Kong

Stable demand from vessel inspection as well as repair and maintenance services from local vessels

According to Marine Department, the total number of licensed vessels, including Class I, Class II, Class III and Class IV vessels, increased from 16,282 units in 2012 to 18,712 units in 2017, rising at a CAGR of approximately 2.8%. As mandated by the Merchant Shipping (Local Vessels) Ordinance, a regular inspection is required to be conducted for every vessel operating in Hong Kong waters. This drives a sustainable demand for vessel repair and maintenance services in Hong Kong. In addition, with the on-going and upcoming marine construction projects, such as the 3RS Project and the "Tung Chung New Town Extension" project, the number of local vessels in Hong Kong used to support these projects are expected to grow constantly. The continuous usages may result in the deterioration of the physical condition of the vessels, which would in turn increase the demand for vessel repair and maintenance services going forward.

Demand for repair and maintenance services from aging vessels

According to the Marine Department, as of 10 January 2018, the average age of Class I, Class II, Class III and Class IV vessels was 24, 20, 17 and 10 years, respectively. Furthermore, the highest age among these vessels by their respective class was 60, 61, 57 and 51 years. The demand for repair and maintenance works from the ageing vessels is expected to increase as the condition of the ageing vessels and their components will continue to deteriorate.

Repair and maintenance needs from government operational vessels

According to the Marine Department, the Government Dockyard, which is managed by the Government Fleet Division, mainly serves as a maintenance base for approximately 800 Government's operational vessels of different types and sizes in Hong Kong. Maintenance works are performed on a regular basis and repair works are carried out when necessary for these 800 Government's operational vessels. Approximately 90% of the repair and maintenance works are outsourced to private vessel repair and maintenance contractors while the remaining 10% are managed by the skilled in-house staff of the Government Dockyard. The demand for repair and maintenance services from these Government's operational vessels will also be a continuous supporting driver for the local vessel repair and maintenance service industry in Hong Kong.

SOLID WASTE VESSEL MANAGEMENT INDUSTRY IN HONG KONG

Solid waste vessel management refers to services provided by a vessel management company to operate and manage ships which are used to transport waste such as solid waste and sludge. Solid waste is transported from refuse transfer stations ("**RTSs**") to landfills. Sludge is transported from sewage treatment facilities to sludge treatment facilities for incineration and the residue is then transported to landfills.

In Hong Kong, solid waste includes municipal solid waste ("**MSW**"), construction waste, chemical waste, clinical waste and special waste. These wastes are transported to landfills either by vessels or trucks. Solid waste vessels are used to transport MSW from the seven RTSs to the three landfills due to its relative low cost and lower environmental impacts as compared to land transport. The marine transportation of solid waste is usually outsourced to a solid waste vessel management company. These companies also provide the operation and management of solid waste vessels, transporting MSW in sealed containers from RTSs to landfills, and empty containers from landfills to RTSs.

Sludge is a mud-like by-product removed from sewage. Vessels and trucks are used to transport sludge from sewage treatment facilities to a sludge treatment facility ("**T.Park**"), the first and only sludge treatment facility which was commissioned in 2015. It receives sludge from 11 major sewage treatment works in Hong Kong. About 70% of the sludge received by T.Park are transported by sea. Therefore, there is a demand for solid waste vessel management services to cope with the operation of the new and improved system of sludge treatment.

COMPETITIVE LANDSCAPE OF SOLID WASTE VESSEL MANAGEMENT INDUSTRY IN HONG KONG

The industry is basically dominated by three major players in the market, namely (i) Company G, a joint operation formed by two investment holding companies listed on the Stock Exchange, engaged in salvage and towage services; (ii) Company H, a private company offering services in barging and controller storage, container transportation, warehousing and other ancillary services; and (iii) the Group. These companies primarily provide management services for vessels involved in solid waste transportation and disposal in Hong Kong. The dominance of the major players was mainly due to a limited number of contracts released by the operating contractors of RTSs/T.Park and the long duration of each vessel management contract, ranging from around seven to 15 years.

Company G and Company H have a long presence in the industry and have established a strong brand image in the market. The Group has obtained the contract for the transportation of dewatered sludge from Stonecutters Island Sewage Treatment Works to T.Park, and it is the sole solid waste vessel management company managing and operating purpose built container vessels for sludge transportation. Company G and Company H won contracts in managing purpose built container vessels for the transportation of solid waste from RTSs to landfills.

Factors of competition

Reputation and proven track record

The solid waste vessel management industry focuses on the quality of work, the timeliness of the delivery and past performances of the vessel operators. As such, vessel operators with capabilities in completing quality work in a timely manner will have a better portfolio of track records and references providing them with higher chances to be awarded with projects. Furthermore, vessel operators with a well-established presence and reputation within the industry will receive more tender invitations from the Government and main contractors.

Business relationships with customers

A solid waste vessel management contractor is considered competitive if it can maintain a stable business relationship with relevant Government bodies and main contractors. Such a contractor will have greater opportunities to receive tender invitations thus a higher chance to win the tenders.

Experienced expertise and management competency

Given the level of complexity in operating and maintaining waste container vessels, having a sufficient level of experience in solid waste vessel management works will be a key factor of competition. A high level of technical knowledge and ship management skills are needed in order to comply with Government's comprehensive and complex waste management procedures. Companies with experienced professionals and solid experiences will be more capable in conducting these operations and post-inspection maintenance works. They will also be more capable in handling emergency work orders released by the Government due to any unpredictable weather conditions and accidents.

Market drivers and opportunities

Transformation of the waste transfer system in Hong Kong

The traditional waste collection and disposal method, which involves a large number of small refuse collection vehicles travelling between RTSs and landfills, has been gradually replaced by the method of transporting compacted waste in bulk via container vessels with larger capacity. With the Government's initiatives to safeguard any adverse environmental impact brought by waste transportation by roads, the implementation of modern waste transportation strategies via vessels has continued to drive the demand in the solid waste vessel management industry.

Strategic location of refuse transfer stations and sewage and sludge treatment works at seafronts

Under the present waste transfer system, four out of six RTSs, all the outlying island transfer facilities, the Stonecutters Island Sewage Treatment Works and T. Park are strategically designed and located by the seafront when they were first established. Given that the existing transfer stations and treatment facilities are bounded by sea, relocating such facilities within a short period of time is impossible. In order to maintain the routine operation and efficiency of the facilities, marine transportation of solid waste and sludge between the facilities and landfills has therefore created a substantial demand for solid waste vessel management services.

Adaptation of advanced technology

Adaptation of advanced technology in solid waste container vessels will potentially reduce the operation costs involved and enhance the operation flexibility and reliability in solid waste vessel management. Under the Harbour Area Treatment Scheme Stage 2A, two purpose built container vessels were designed for routine transportation of dewatered sludge cakes between Stonecutters Island Sewage Treatment Works to T. Park. Both of the vessels are the first diesel-electric propulsion container vessels built in Hong Kong, using ultra-low sulphur diesel to generate electricity for propulsion. Provided that the application of these new technology will marginally reduce the consumption of fuel, wide adaptation in solid waste vessels will create an opportunity for contractors to better monitor their cost structure.

Entry barrier

Sufficient experience and well-established networks

Contractors' reputation, experience and established connections with main contractors are vital in the solid waste vessel management industry. Given that the contractors will be responsible for operating purpose built container vessels which are tailored for solid waste handling, experience in complying with Government standards and proven track records are the key assessing criterion during the tendering process. Under such basis, new entrants will have to confront with the difficulties in competing with existing players within the industry.

Threat

Tight manpower situation threatens the maritime industry thus the solid waste vessel management industry

Limited manpower in Hong Kong maritime operations as well as solid waste vessel management and operations has sustained due to a shrinking labour force and the ageing of maritime workers. Damped by the persistent labour shortage issue in maritime industries, the probability of delays in general vessel operations as well as vessel repair and maintenance works may increase. Contractors have to also pay higher salaries to the workers to retain existing skilled labour and attract more new and young entrants. Since labour cost is one of the core costs for solid waste vessel management, the rising average wages of workers may in turn post another potential threat in escalating the operational cost for solid waste vessel management.

OVERVIEW

The Group is principally engaged in the provision of two kinds of services, namely (i) vessel chartering and related services; and (ii) ship management services in Hong Kong.

During the Track Record Period, the Group's business and operations are principally based within Hong Kong and therefore subject to the relevant laws and regulations in Hong Kong. This section sets forth the most significant aspects of Hong Kong laws and regulations in relation to the Group's business operations in Hong Kong.

HONG KONG MARITIME REGULATORY COMPLIANCE

There are various principal types of certificates and licences required for the operation of the Group's business in Hong Kong, mainly as follows:

(a) certificate of ownership and operating licence in respect of each vessel which are required to be obtained prior to operating the vessel in the waters of Hong Kong;

(b) certificate of survey and certificate of inspection for operation; and

(c) local certificate of competency.

Certificate of Ownership ("COO") and Operating Licence ("OL")

Every vessel shall be certificated and licensed for the appropriate class and type specified in schedule 1 of the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Chapter 548D of the Laws of Hong Kong) (the "**Merchant Shipping Licensing Regulation**") from the Marine Department prior to operation in the waters of Hong Kong.

The Group's local vessels include various types such as tug, launch, work boat and special purpose vessel which are required to obtain COO and OL which fall within schedule 1 of the Merchant Shipping Licensing Regulation. The owner of the vessel shall first apply to the Director of Marine for an approval-in-principal letter ("**AIP Letter**") before applying for the approval of plans, survey, COO and OL of the vessel. The Director of Marine will grant the AIP Letter and issue the full licence of OL having regard to the material considerations under the Merchant Shipping Licensing Regulation. Under section 18(3) of the Merchant Shipping Licensing Regulation, a person who, without reasonable excuse, fails to deliver a full licence of OL on request commits an offence and is liable on conviction to a fine of HK$5,000 and to imprisonment for 6 months.

The grant of a full licence of OL is attached with conditions specifying crew requirement, passenger carrying capacity and restrictions on the vessel to ply within the waters of Hong Kong or certain specified sheltered waters or other areas, and the requirement to hold a valid certificate of survey or certificate of inspection for operation as the Director of Marine may decide. A full licence of OL is usually valid for 12 months beginning from the date of issue of the licence and is renewable.

Certificate of Survey ("COS") and Certificate of Inspection ("COI")

Under Part IV of the Merchant Shipping (Local Vessels) Ordinance, a local vessel is required to be certificated (i.e. by obtaining a valid COS or COI) and owner of a local vessel shall obtain a valid COO.

Section 9 of the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation (Chapter 548G of the Laws of Hong Kong) (the "**Merchant Shipping (Local Vessels) (Safety and Survey) Regulation**") provides that no COI or COS shall be issued in respect of a local vessel unless plans relating to, among others, the general arrangements of the vessel, in so far they are applicable, have been approved by the Marine Department.

Section 16 of the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation provides that it is an offence to operate a local vessel without COS or COI. Without reasonable excuse, each of the owner of the local vessel concerned, his agent and the coxswain commits an offence and is liable on conviction to a fine of HK$10,000 and to imprisonment for 6 months.

Section 18 of the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation provides that COS or COI shall only be issued in respect of a local vessel if the vessel is fit for the service intended and in good condition.

Section 27 of the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation provides that COS is valid for 12 months from the date of completion of the survey or such longer or shorter period as the Director of Marine may specify in the COS whereas it also provides that COI is valid for the period specified in the COI, which shall not exceed 12 months from the date of completion of the survey or if, on the date of completion of the survey, the period of validity of the existing COI issued in respect of the local vessel concerned has not expired, the expiry date of such existing COI, whichever is the later.

Local Certificate of Competency

The seafarers in Hong Kong, including coxswains and engine operators who operate the vessels of the Group, are required to obtain the Local Certificate of Competency — Coxswain and Local Certificate of Competency — Engine Operator under the MS(LV)O (collectively, the "**LCC**"), respectively.

Under section 16 of the MS(LV)O, the Director of Marine shall cause examinations for the grant of LCC to be conducted on coxswains and engine operators employed on vessels. The LCC is issued to personnel certifying that the holder of the certificate may act as the coxswain or engine operator (as the case may be) of any local vessel. The Merchant Shipping (Local Vessels) (Local Certificates of Competency) Rules (the "**LCC Rules**") made under section 16 of the MS(LV)O provides the rules and conditions of grant of LCC in relation to competency examination.

The grant of LCC is specified under section 6 of the LCC Rules. A person may apply for a LCC if the person has passed the competency examination that is relevant to the grant of the certificate, or is exempt under relevant provisions of the LCC Rules, or has met the eligibility criteria for the issue of the certificate. The Director of Marine shall approve the application and grant the LCC upon satisfaction that the person is fit to hold the relevant LCC.

According to the Examination Rules for Local Certificates of Competency (the "**LCC Examination Rules**") also made under section 16 of the MS(LV)O, the competency examination for coxswains covers, among other things, local knowledge, pilotage and port regulations, international regulations for preventing collisions at sea, seamanship and basic engine knowledge, ship stability, chart work and pilotage. In respect of engine operators, the competency examination covers, among other things, engineering knowledge, safety and pollution control and pollution prevention.

Under section 16 the LCC Rules, a LCC becomes valid when it is granted and expires when the holder of the LCC attains the age of 65, unless it is cancelled or suspended under the MS(LV)O.

Merchant Shipping Ordinance

Merchant Shipping Ordinance (Chapter 281 of the Laws of Hong Kong) (the "**MSO**") and its sub-legislations require every ship used for any commercial purpose in the waters of Hong Kong to comply with the requirements in respect of registration and licensing. The MSO also deals with the forfeiture of ships and detention of ships.

According to section 3 of the MSO, every ship trading outwards from Hong Kong or being used for any commercial purposes in the waters of Hong Kong must be provided with a certificate of registry or a COO or other documents granted in a place outside Hong Kong and similar or equivalent in effect to a certificate of registry or a certificate of provisional registry.

Under section 108 and section 109 of the MSO, the Director of Marine may under certain conditions detain a ship pending satisfaction of legal provisions. If the ship proceeds or attempts to proceed to sea before having released by the competent authority, the master of the ship, and also the owner or agent, and any person who sends the ship to sea, agent or person is party or privy to the offence, shall be guilty of an offence and shall be liable on conviction to a fine of HK$50,000 and to imprisonment for 2 years.

Merchant Shipping (Local Vessels) Ordinance

The MS(LV)O and its sub-legislations apply to all local vessels whether in or beyond the waters of Hong Kong.

One of the definitions of local vessels is defined under section 2 of the MS(LV)O as any vessels which are used solely within the waters of Hong Kong. The vessels that are used or chartered by the Group fall within the definition of "local vessels" under the MS(LV)O. Therefore, the MS(LV)O and its subsidiary legislations are applicable to the Group.

Section 11 of the MS(LV)O requires local vessels to be certified. Section 12 of the MS(LV)O requires that the owner of the local vessel shall be an individual who holds a valid identity card and who is ordinarily resident in Hong Kong or a company or a registered non-Hong Kong company as defined by section 2(1) of the Companies Ordinance.

Sections 13 and 14 of the MS(LV)O require certified local vessels to be licensed and provide that no unlicensed local vessel shall carry any passengers. Where section 13 is contravened, the owner of the local vessel, his agent and the coxswain commit an offence and each of them is liable on conviction to a fine of $25,000 and to imprisonment for one year. Where section 14 is contravened, the owner of the vessel, his agent and the coxswain commit an offence and each of them is liable on conviction to a fine of HK$50,000 and to imprisonment for two years, and to an additional fine of HK$5,000 in respect of each passenger carried on the vessel in contravention.

Section 23C of the MS(LV)O provides that no owner, charterer or coxswain of a local vessel may use, or cause or permit any other person to use, the vessels in the waters of Hong Kong unless there is in force in relation to the use of the vessel by such owner, charterer or coxswain or that other person, as the case may be, such policy of insurance as complies with section 23D the MS(LV)O. The MS(LV)O's sub-legislations require the amount covered under the policy of insurance in pursuance of the MS(LV)O to be a minimum of HK$10,000,000 for local vessels permitted to carry more than 12 passengers and HK$5,000,000 for local vessels permitted to carry 12 or less than 12 passengers. Where an owner, charterer or coxswain of a local vessel permitted to carry more than 12 passengers contravenes section 23C of the MS(LV)O, he commits an offence and is liable to a fine of HK$100,000 and to imprisonment for 2 years. Where an owner, charterer or coxswain of a local vessel permitted to carry no more than 12 passengers contravenes section 23C of the MS(LV)O, he commits an offence and is liable to a fine of HK$25,000 and imprisonment for 1 year.

Section 23D of the MS(LV)O sets out the requirements in respect of the policies of insurance. It provides that a policy of insurance for the purposes for section 23C(1) of the MS(LV)O shall be a policy which is issued by an authorised insurer, expressed to be governed by the laws of Hong Kong, issued for the purposes of section 23C(1) of the MS(LV)O and insures person(s) in respect of the death of or bodily injury to any person caused by or arising out of the use of local vessels in the waters of Hong Kong.

Merchant Shipping (Safety) Ordinance

Merchant Shipping (Safety) Ordinance (Chapter 369 of the Laws of Hong Kong) (the "**MS(S)O**") provides for regulation and control of the safe operations and equipment of vessels in the waters of Hong Kong. Amongst other things, the MS(S)O provides that:

(1) every ship carrying more than 12 passengers shall be surveyed at not more than 12 months in the manner set out by the MS(S)O;

(2) every ship carrying more than 12 passengers shall have the ship's compasses properly adjusted from time to time and shall provide shelter for the protection of deck passengers;

(3) a ship shall not carry passengers on more than one deck below the water line and shall not within the waters of Hong Kong carry any passengers in excess of the number allowed by the passenger certificate;

(4) no ship registered in Hong Kong shall have on board an anchor or cable unless the anchor or cable has been marked and a certificate in respect of it has been issued; and

(5) no ship registered in Hong Kong shall proceed or attempt to proceed to sea unless it has been surveyed in accordance to load line regulations.

Merchant Shipping (Registration) Ordinance

Section 11 of the Merchant Shipping (Registration) Ordinance (Chapter 415 of the Laws of Hong Kong) (the "**MS(R)O**") provides that a ship is registrable if a representative person is appointed in relation to that ship and either a majority interest in the ship is owned by one or more qualified persons or the ship is operated under a demise charter by a body corporate being a qualified person. As qualified persons include body corporates in Hong Kong and registered non-Hong Kong companies, the MS(R)O applies to the Group.

Sections 19 and 20 of the MS(R)O state that a specified form, consent from the representative person and declarations by and on behalf of owners and demise charterers are required for an application for registration.

Section 24 of the MS(R)O provides that upon the registration of a ship, the Registrar of Ships shall grant a certificate of registry, in the specified form, containing the particulars relating to the ship entered in the register.

The Registrar of Ships is responsible for keeping a register for ships registered or provisionally registered under the MS(R)O. The register shall contain particulars in respect of ships, owners and their respective interests in ships, demise charterers, mortgagees and representative persons as are prescribed.

Merchant Shipping (Collision Damage Liability and Salvage) Ordinance

Merchant Shipping (Collision Damage Liability and Salvage) Ordinance (Chapter 508 of the Laws of Hong Kong) (the "**MS(CDLS)O**") governs the laws relating to collision damage and salvage operations. It aligns Hong Kong and international laws by incorporating the International Convention on Salvage 1989 into Hong Kong regulations.

Section 3 of the MS(CDLS)O provides that where by the fault of two or more vessels, damage or loss is caused to one of those vessels, to their cargoes or freight or any property on board, the liability to make good the damage or loss shall be in proportion to the degree in which each vessel was in fault.

Section 4 of the MS(CDLS)O provides that where a person on board a vessel suffers a loss of life or personal injuries owing to the fault of that vessel and of any other vessels, the liability of the owners of the vessels shall be joint and several.

INSURANCE REGULATORY COMPLIANCE

Marine Insurance Ordinance

Marine Insurance Ordinance (Chapter 329 of the Laws of Hong Kong) (the "**MIO**") is in place to ensure that where a ship is in course of building, or the launch of a ship, or any adventure analogous to a marine adventure, is covered by a marine policy. Under section 3 of the MIO, every lawful marine adventure may be the subject of a contract of marine insurance. In particular there is a marine adventure where among others, any ship goods or other movables are exposed to maritime peril (the "**Insurable Property**"), or any liability to a third party may be incurred by the owner of, or other person interested in or responsible for the Insurable Property, by reason of maritime perils, meaning the perils consequent on, or incidental to, the navigation of the sea, that is to say, perils of the seas, fire, war perils, pirates, rovers, thieves, captures, seizures, restraints, and detainments of princes and peoples, jettisons, barratry, and any other perils, either of the like kind or which may be designated by the policy.

Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice

Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice (Chapter 548K of the Laws of Hong Kong) came into effect on 1 September 2016, specifying the new statutory minimum amounts of liability cover for the compulsory third party risks insurance of local vessels.

The new minimum amounts for liability cover for the compulsory third party risks insurance of certificated local vessels permitted to carry more than 12 passengers shall be HK$10,000,000. The new minimum amount for liability cover for the compulsory third party risks insurance of certificated local vessels permitted to carry 12 or less than 12 passengers shall be HK$5,000,000.

The old statutory minimum amount of liability cover will continue to be applicable until either i) the expiry of the current policy; ii) the expiry of one year beginning on 1 September 2016; or iii) the terms or conditions of the policy are altered in any way that would cause the policy to cease to be in compliance with the MS(LV)O, even if the former statutory amounts of liability cover applied. Therefore, the new statutory minimum applies to the Group and its vessels.

EMPLOYMENT REGULATIONS

Employees' Compensation Ordinance

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**") establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries sustained by, or death of employees caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases suffered by the employees.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Under section 40 of the ECO, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in the Fourth Schedule of the ECO in respect of the liability of the employer. According to the Fourth Schedule of the ECO, the insured amount shall be not less than HK$100,000,000 per event if a company has no more than 200 employees. An employer who contravenes section 40 commits an offence and is liable on conviction upon indictment to a fine of HK$100,000 and to imprisonment for 2 years; and on summary conviction to a fine of HK$100,000 and to imprisonment for 1 year.

OCCUPATIONAL SAFETY REGULATIONS

Occupational Safety and Health Ordinance

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "**OSHO**") provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Under section 6 of the OSHO, an employer must ensure the safety and health at work of all his employees, so far as reasonably practicable, by:

(a) providing and maintaining plant and systems of work that are safe and without risks to health;

(b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plants or substances;

(c) providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of his employees;

(d) providing and maintaining the workplace in a condition that is safe and without risks to health or providing and maintaining safe access to and egress from the workplace; and

(e) providing and maintaining a working environment that is safe and without risks to health.

Under section 6 of the OSHO, failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 6 months.

Under section 9 of the OSHO, the Commissioner for Labour may issue improvement notices on an employer or an occupier of premises where a workplace is located if of the opinion that the employer or occupier is contravening the OSHO or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) or has contravened either of the aforementioned Ordinances in circumstances that make it likely that the contravention will be continued or repeated. Failure to comply with such notices constitutes an offence punishable by a fine of HK$200,000 and imprisonment of up to 12 months. Under section 10 of the OSHO, the Commissioner for Labour may issue suspension notices against activities in workplaces where there is an imminent risk of death or serious bodily injury to the employees. An employer who fails to comply with such notices commits an offence and is liable on conviction to a fine of HK$500,000 and to imprisonment of up to 12 months.

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the "**FIUO**") provides for the safety and health protection of workers in an industrial undertaking, which includes but not limited to the loading, unloading, or handling of goods or cargo at any dock, quay, wharf, warehouse or airport; and a "proprietor" means the person for the time being having the management or control of the business carried on in, inter alia, an industrial undertaking.

Section 6A of the FIUO states that a proprietor of an industrial undertaking must ensure the safety and health at work of all his employees. A proprietor who contravenes his duty under the FIUO commits an offence and is liable to a fine at HK$500,000. In the case of a wilful contravention without reasonable excuse, such proprietor commits an offence and is liable to a fine of HK$500,000 and to imprisonment for 6 months.

ENVIRONMENTAL PROTECTION REGULATIONS

Merchant Shipping (Local Vessels) Ordinance

Under section 47 of the MS(LV)O, if any oil or mixture containing oil is discharged into the waters of Hong Kong, the person by whom the oil or mixture containing oil is so discharged or caused to be discharged; and if the discharge is from a local vessel, the owner and the coxswain of the vessel, subject to the circumstances of discharge, commit an offence under this section and is liable to a fine of HK$200,000.

Section 51(1) of the MS(LV)O stipulates that no local vessel in the waters of Hong Kong shall emit dark smoke for 3 minutes or more continuously at any one time. If section 51(1) is contravened, each of the owner of the local vessel, his agent and the coxswain of the vessels commits an offence and is liable to a fine of HK$10,000 if the person has never committed the offence in relation to the vessel; or liable to a fine of HK$25,000 if the person has previously committed the offence in relation to the vessel.

Shipping and Port Control Ordinance

Shipping and Port Control Ordinance (Chapter 313 of the Laws of Hong Kong) (the "**SPCO**") regulates and controls the repairs and breaking up of vessels, cargo handling on vessels and pollution caused by vessels in the waters of Hong Kong.

Section 46 of the SPCO provides that if any oil or mixture containing oil is discharged into the waters of Hong Kong, then the person by whom the oil or mixture containing oil is so discharged or caused to be discharged commits an offence and is liable to a fine of HK$200,000. If the discharge is from a vessel but takes place in the course of the transfer of oil to or from another vessel or a place on land, then the owner and the master of that other vessel or the occupier of the place on land will commit an offence.

Section 48 of the SPCO provides that if any oil or mixture containing oil is discharged or found to be escaping or have escaped from a vessel into the waters of Hong Kong, the owner or master of the vessel must forthwith report the occurrence to the Director of Marine. Any person who contravenes section 48 of the SPCO commits an offence and is liable to a fine of HK$5,000.

Section 50 of the SPCO provides that no vessel in the waters of Hong Kong shall emit dark smoke for 3 minutes or more continuously at any one time. A person who contravenes section 50 for the first time commits an offence and is liable to a fine of HK$25,000, while a person who has previously contravened section 50 commits an offence and is liable to a fine of HK$50,000.

OVERVIEW

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2018 under the Cayman Companies Law. It is an investment holding company and through its subsidiaries, it is engaged in the provision of providing (i) vessel chartering and related services; and (ii) ship management services in Hong Kong. Following completion of the Reorganisation, the Company became the holding company of the Group. The Company was incorporated as part of the Reorganisation, details of which are set out in the sub-section headed "Reorganisation" in this section below.

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), Mr. Wen and Ms. Chan, the spouse of Mr. Wen, will together, through Kitling (BVI), hold approximately 62.89% of the voting rights of the Company. Hence, each of Mr. Wen, Ms. Chan and Kitling (BVI) is a Controlling Shareholder.

BUSINESS DEVELOPMENT

The Group was founded in 1994 when Mr. Wen and Mr. Wen Yiu Pui, the father of Mr. Wen, set up Yun Lee Tow Boat Company Limited (now known as Yun Lee Tug Boat) to provide tug chartering services in Hong Kong. Over the years, the Group has been engaged in provision of tugs and other vessels in marine construction projects in Hong Kong. In order to expand the business into the provision of vessel chartering and related ship management services, the Group has further incorporated major operating subsidiaries namely, Universal Marine, KMY Marine, Yun Lee Marine and MKK Marine. The Group also provides maritime services through Eastlink Marine and Scenic Shipping, each an associate of the Company.

KEY BUSINESS MILESTONES

The key business milestones of the development of the Group are set out below:

Year	Milestones
1994	Yun Lee Tug Boat was incorporated
	The Group purchased its first tug, namely Yun Shing 18, with a gross tonnage of 77.91 tonnes and horsepower of approximately 365hp
2000	Eastlink Marine was incorporated in cooperation with the business partners of Mr. Wen
2002	Universal Marine was incorporated
2007	KMY Marine was incorporated
2009	Yun Lee Marine was incorporated

	The Group purchased its first launch, namely AQUA, with a gross tonnage of 58.24 tonnes and horsepower of approximately 800hp
2012	The Group commenced to provide vessel chartering services for the HZMB Project
	The Group purchased a tug, namely Fook Wai, with a gross tonnage of 145.00 tonnes and horsepower of approximately 1,200hp, being the Group's first tug with horsepower of more than 1,000hp
2013	The Group commenced to operate launch chartering business
2014	MKK Marine was incorporated
2015	MKK Marine was awarded a contract with an estimated total contract sum of approximately HK$330.0 million to operate and manage two purpose built container vessels, which is a part of the Stonecutters Island Sewage Treatment Works
2016	Scenic Shipping was acquired by the Group as an associate in cooperation with business partners of Mr. Wen
	The Group commenced to provide vessel chartering services for the 3RS Project
2018	The Group commenced to provide vessel chartering services for the Integrated Waste Management Facilities Phase 1 Project

THE GROUP

The Group consists of the Company, an intermediate holding company incorporated in the BVI and five major operating subsidiaries incorporated in Hong Kong. Set out below is the corporate history of the Company and major operating subsidiaries.

(i) The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2018. The Company was registered in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 6 April 2018.

At the time of incorporation, the Company had an initial authorised share capital of HK$50,000 divided into 5,000,000 Shares of par value HK$0.01 each, of which 1 fully paid subscriber Share was transferred to Kitling (BVI) from the initial subscriber at par value on 19 March 2018. For details on changes in the share capital of the Company, please refer to the section headed "Statutory and general information — A. Further information about the Company — 2. Changes in the share capital of the Company" in Appendix IV to this prospectus.

(ii) Yun Lee (BVI)

Yun Lee (BVI) is a company incorporated in the BVI with limited liability on 16 November 2017. It was incorporated as an intermediate holding company of the Group and had a fully paid up share capital of US$1 consisting of 1 share. It was owned as to 100% (1 share) by Kitling (BVI) at incorporation.

On 27 December 2017, the issued share capital of Yun Lee (BVI) was increased from US$1 to US$10,000 by the allotment and issuance of additional 9,066, 533 and 400 shares to Kitling (BVI), Mr. Cheung and Mr. Chow, respectively. On 14 September 2018, Kitling (BVI) transferred 9,067 shares to the Company, Mr. Cheung transferred 533 shares to the Company and Mr. Chow transferred 400 shares to the Company. The Company became the sole shareholder of Yun Lee (BVI) since then.

Upon completion of the Reorganisation, Yun Lee (BVI) is a direct wholly-owned subsidiary of the Company.

(iii) Yun Lee Tug Boat

Yun Lee Tug Boat is a company incorporated in Hong Kong with limited liability on 15 November 1994 and principally engaged in tug chartering services. At incorporation, the initial subscribers of Yun Lee Tug Boat were Mr. Wen Yiu Pui and Mr. Wen, each of whom was issued and allotted with one share of HK$1 each. On 28 November 1994, each of Mr. Wen Yiu Pui and Mr. Wen was issued and allotted with 49,999 shares, Yun Lee Tug Boat had a total of 100,000 shares and was owned as to 50% (50,000 shares) by Mr. Wen Yiu Pui and 50% (50,000 shares) by Mr. Wen. On 10 July 2010, 4,000 shares were issued and allotted to Mr. Wen Yiu Pui and 16,000 shares were issued and allotted to Mr. Wen, Yun Lee Tug Boat had a total of 120,000 shares and was owned as to 45% (54,000 shares) by Mr. Wen Yiu Pui and 55% (66,000 shares) by Mr. Wen. On 19 October 2017, Mr. Wen Yiu Pui transferred 54,000 shares to Mr. Wen. Prior to the Reorganisation, Yun Lee Tug Boat had a fully paid up share capital of HK$120,000 and a total of 120,000 issued shares, and was owned as to 100% (120,000 shares) by Mr. Wen.

Upon completion of the Reorganisation, Yun Lee Tug Boat is an indirect wholly-owned subsidiary of the Company.

(iv) Universal Marine

Universal Marine is a company incorporated in Hong Kong with limited liability on 6 December 2002. The principal activity of Universal Marine is investment holding. At incorporation, the initial subscribers of Universal Marine were Mr. Wen and Ms. Chan, each of whom was issued and allotted with one share of HK$1 each. On 9 December 2002, 4,999 shares and 4,999 shares were issued and allotted to Mr. Wen and Ms. Chan, respectively, with a total of 10,000 shares owned as to 50% (5,000 shares) by Mr. Wen and 50% (5,000 shares) by Ms. Chan. Prior to the Reorganisation, Universal Marine had a fully paid up share capital of HK$10,000 and a total of 10,000 issued shares, and was owned as to 50% (5,000 shares) by Mr. Wen and 50% (5,000 shares) by Ms. Chan.

Upon completion of the Reorganisation, Universal Marine is an indirect wholly-owned subsidiary of the Company.

(v) KMY Marine

KMY Marine is a company incorporated in Hong Kong with limited liability on 25 September 2007. The principal activity of KMY Marine is to provide tug chartering services. At incorporation, the initial subscribers of KMY Marine were Mr. Wen, Mr. Ng Wing Yiu and Mr. Chow, holding 45% (4,500 shares), 45% (4,500 shares) and 10% (1,000 shares), respectively. On 5 December 2012, 3,500 shares were issued and allotted to Mr. Chow, therefore KMY Marine had a total issued shares of 13,500 and owned as to 33.3% (4,500 shares) by Mr. Wen, 33.3% (4,500 shares) by Mr. Ng Wing Yiu and 33.3% (4,500 shares) by Mr. Chow. After further allotment and issuance of shares in KMY Marine to Mr. Chow on 5 December 2012, Mr. Wen, Mr. Ng Wing Yiu, Mr. Chow and KMY Marine entered into a shareholders' agreement on the same day (the "**KMY Marine Shareholders' Agreement**") to formally regulate the management, business and affairs of KMY Marine.

In the early years of operation since its incorporation, KMY Marine provided vessel chartering and other marine related services to various customers mainly through its self-owned vessels. During the financial year ended 31 March 2012, the then shareholders of KMY Marine intended to review and reformulate the business strategy of KMY Marine and mutually decided to dispose of the self-owned vessels. As other then shareholders of KMY Marine, namely Mr. Ng Wing Yiu and Mr. Chow, did not possess relevant experience in business development of the maritime services industry, they believed that KMY Marine would be able to generate potential dividend in the future under the ultimate control of Mr. Wen by leveraging his business network and experience in the maritime services industry. Accordingly, Mr. Ng Wing Yiu and Mr. Chow decided to vest all the management rights and decision-making powers in respect of KMY Marine in Mr. Wen through the entering of KMY Marine Shareholders' Agreement and acted as passive investors of KMY Marine since then.

Pursuant to the KMY Marine Shareholders' Agreement, all parties agreed that Mr. Wen shall be responsible for the overall management and determining the overall policies and objectives of KMY Marine. Mr. Wen shall also manage the day-to-day running of the business of KMY Marine. Mr. Wen shall have the right to appoint and remove any director from the board of directors of KMY Marine (the "**KMY Board**") from time to time and he shall act as the chairman of the KMY Board (the "**KMY Chairman**") at all times. The parties thereby vested all the management rights and decision-making powers with the KMY Chairman and the KMY Chairman was entitled to a casting vote in all decisions of the KMY Board. As such, Mr. Wen had control over the KMY Board. In relation to the shareholders' meetings of KMY Marine, Mr. Wen must be present to form the quorum of the shareholders' meetings.

Subsequent to the disposal of its self-owned vessels in 2012, KMY Marine provided vessel chartering services to clients mainly through its subcontractors for the then remaining contracts. Accordingly, there was a decline in revenue generated by KMY Marine over the years ended 31 March 2013 and 2014, and did not record any revenue for the two years ended 31 March 2015 and 2016. In October 2016, KMY Marine acquired a tug and commenced providing vessel chartering services through such tug to the Group's customers.

On 5 December 2017, Mr. Wen acquired 33.3% (4,500 shares) at a cash consideration of HK$188,000 from Mr. Ng Wing Yiu and 33.3% (4,500 shares) at a cash consideration of HK$188,000 from Mr. Chow. The consideration for such acquisitions was negotiated between the parties on an arm's length basis and determined based on the unaudited net asset value of KMY Marine as at 30 November 2017, which amounted to approximately HK$564,000. On the same day, Mr. Ng Wing Yiu transferred 4,500 shares and Mr. Chow transferred 4,500 shares to Mr. Wen. Prior to the Reorganisation, KMY Marine had a fully paid up share capital of HK$13,500 and a total of 13,500 issued shares, and was owned as to 100% (13,500 shares) by Mr. Wen.

Upon completion of the Reorganisation, KMY Marine is an indirect wholly-owned subsidiary of the Company.

(vi) Yun Lee Marine

Yun Lee Marine is a company incorporated in Hong Kong with limited liability on 30 January 2009. It mainly provides vessel chartering and related services. At incorporation, the founder members of Yun Lee Marine were Mr. Wen and Ms. Chan, holding 70% (7,000 shares) and 30% (3,000 shares), respectively. Prior to the Reorganisation, Yun Lee Marine had a fully paid up share capital of HK$10,000 and a total of 10,000 issued shares, and was owned as to 70% (7,000 shares) by Mr. Wen and 30% (3,000 shares) by Ms. Chan.

Upon completion of the Reorganisation, Yun Lee Marine is an indirect wholly-owned subsidiary of the Company.

(vii) MKK Marine

MKK Marine is a company incorporated in Hong Kong with limited liability on 22 August 2014 to principally engage in ship management services. At incorporation, the founder members of MKK Marine were Mr. Wen and Mr. Cheung, holding 50% (5,000 shares) and 50% (5,000 shares), respectively. Mr. Wen, Mr. Cheung and MKK Marine entered into a shareholders' agreement dated 22 August 2014 (the "**2014 MKK Marine Shareholders' Agreement**") to regulate the management, business and affairs of MKK Marine. Pursuant to the 2014 MKK Marine Shareholders' Agreement, all parties agreed that Mr. Wen shall be responsible for the overall management and determining the overall policies and objectives of MKK Marine and he shall also manage the day-to-day running of the business of MKK Marine. Furthermore, Mr. Wen shall have the right to appoint and remove any director from the board of directors of MKK Marine (the "**MKK Board**") from time to time and he shall act as the chairman of the MKK Board (the "**MKK Chairman**") at all times. The parties thereby vested all the management rights and decision-making powers with the MKK Chairman and the MKK Chairman was entitled to a casting vote in all decisions of the MKK Board. As such, Mr. Wen had control over the MKK Board. In relation to the shareholders' meetings of MKK Marine, Mr. Wen must be present to form the quorum of the shareholders' meetings.

On 28 July 2015, 1,000 shares, 3,000 shares and 6,000 shares were issued and allotted to Mr. Wen, Mr. Cheung and Mr. Chow, respectively, with a total of 20,000 shares owned as to 30% (6,000 shares) by Mr. Wen, 40% (8,000 shares) by Mr. Cheung and 30% (6,000 shares) by Mr. Chow. After further allotment and issuance of shares in MKK Marine to each of Mr. Wen, Mr. Cheung and Mr. Chow on 28 July 2015, Mr. Wen, Mr. Cheung and MKK Marine entered into a shareholders' agreement on the same day (the "**2015 MKK Marine Shareholders' Agreement**", together with the 2014 MKK Marine Shareholders' Agreement, collectively referred to as the "**MKK Marine Shareholders' Agreements**"), with the new shareholder, Mr. Chow, who agreed to be bound by the same terms and conditions of the 2014 MKK Marine Shareholders' Agreement. Prior to the Reorganisation, MKK Marine had a fully paid up share capital of HK$20,000 and a total of 20,000 issued shares, and was owned as to 30% (6,000 shares) by Mr. Wen, 40% (8,000 shares) by Mr. Cheung and 30% (6,000 shares) by Mr. Chow.

Mr. Cheung and Mr. Chow acted as passive investors of MKK Marine since their respective first allotment date for shares of MKK Marine, which corresponded to the date of the 2014 MKK Marine Shareholders' Agreement and the 2015 MKK Marine Shareholders' Agreement, respectively. Mr. Cheung and Mr. Chow, both members of the Group's senior management, did not possess relevant experience in business development of the maritime services industry, in particular Mr. Cheung had expertise in the technical aspect of vessel operations and Mr. Chow demonstrated proficiency in the administration and management within the industry. As Mr. Cheung and Mr. Chow believed that MKK Marine would be able to generate potential dividends in the future under the ultimate control of Mr. Wen by leveraging his business network and experience in the maritime services industry, they decided to vest all the management rights and decision-making powers in respect of MKK Marine in Mr. Wen through the entering of the MKK Marine Shareholders' Agreements. For further details of the biography of Mr. Cheung and Mr. Chow, please refer to the section headed "Directors and senior management — Senior management" in this prospectus.

On 27 December 2017, Yun Lee (BVI), Mr. Cheung and Mr. Chow entered into an agreement in respect of sale of 70% shareholding interest of MKK Marine to Yun Lee (BVI), pursuant to which (i) Mr. Cheung agreed to sell 8,000 shares in MKK Marine in consideration of Yun Lee (BVI) allotting and issuing 533 shares of Yun Lee (BVI) to Mr. Cheung; and (ii) Mr. Chow agreed to sell 6,000 shares in MKK Marine in consideration of Yun Lee (BVI) allotting and issuing 400 shares of Yun Lee (BVI) to Mr. Chow.

The consideration was negotiated between the parties on an arm's length basis and determined with reference to the estimated consolidated net profit of the Group and the estimated net profit of MKK Marine for the nine months ended 31 December 2017 of approximately HK$32.6 million and HK$4.3 million, respectively.

Upon completion of the Reorganisation, MKK Marine is an indirect wholly-owned subsidiary of the Company.

INVESTMENT IN ASSOCIATES

(i) Eastlink Marine

Eastlink Marine is a company incorporated in Hong Kong with limited liability on 9 August 2000 and engaged in the provision of tug chartering services. At incorporation, the initial subscribers of Eastlink Marine were Mr. Wen, Mr. Ng Wing Yiu and Ms. Leung Wah Mui, each of whom was issued and allotted with one share of HK$1 each. On 12 August 2000, 3,299 shares, 3,299 shares and 3,399 shares were issued and allotted to Mr. Wen, Mr. Ng Wing Yiu and Ms. Leung Wah Mui, respectively, with a total of 10,000 shares owned as to 33% (3,300 shares) by Mr. Wen, 33% (3,300 shares) by Mr. Ng Wing Yiu and 34% (3,400 shares) by Ms. Leung Wah Mui. On 28 April 2001, Mr. Ng Wing Yiu transferred 3,300 shares to Mr. Lau Chi Wai and Ms. Leung Wah Mui transferred 3,400 shares to Mr. Lo Ping Kwan, with a total 10,000 shares owned as to 33% (3,300 shares) by Mr. Wen, 33% (3,300 shares) by Mr. Lau Chi Wai (an Independent Third Party) and 34% (3,400 shares) by Mr. Lo Ping Kwan (an Independent Third Party). On 4 November 2016, Mr. Lau Chi Wai transferred 300 shares to Mr. Wen and Mr. Lo Ping Kwan transferred 400 shares to Mr. Wen. Prior to the Reorganisation, Eastlink Marine had a fully paid up share capital of HK$10,000 and a total of 10,000 issued shares, and was owned as to 40% (4,000 shares) by Mr. Wen, 30% (3,000 shares) by Mr. Lau Chi Wai and 30% (3,000 shares) by Mr. Lo Ping Kwan.

Upon completion of the Reorganisation, Eastlink Marine is an associate of the Company.

(ii) Scenic Shipping

Scenic Shipping is a company incorporated in Hong Kong with limited liability on 5 August 2015 to principally provide vessel chartering services. At incorporation, the founder members of Scenic Shipping were Mr. Ho Lam Ming (an Independent Third Party), Mr. Yuen Shing (an Independent Third Party), Mr. Chow, holding 80% (8,000 shares), 10% (1,000 shares) and 10% (1,000 shares), respectively. On 25 February 2016, Mr. Ho Lam Ming transferred all his 8,000 shares to Ms. Chan. On 27 June 2016, Mr. Yuen Shing and Mr. Chow transferred all their 1,000 shares each to Mr. Lau Chi Sing (an Independent Third Party), respectively. On 27 June 2016, Ms. Chan transferred 4,000 shares to Lucky State Holdings Limited (an Independent Third Party), 2,000 shares to Man Yue Logistics Company Limited (an Independent Third Party) and 2,000 shares to Universal Marine, respectively. Prior to the Reorganisation, it had a fully paid up share capital of HK$10,000 and a total of 10,000 issued shares, and was owned as to 40% (4,000 shares) by Lucky State Holdings Limited, 20% (2,000 shares) by Man Yue Logistics Company Limited, 20% (2,000 shares) by Universal Marine and 20% (2,000 shares) by Mr. Lau Chi Sing.

Upon completion of the Reorganisation, Scenic Shipping is an associate of the Company.

Restructuring pursuant to the Pre-IPO Investment

For the purpose of the Pre-IPO Investment, the following restructuring steps have been undertaken and the Directors confirm that the following restructuring steps were undertaken, properly and legally completed and settled in accordance with the applicable laws and regulations on 27 December 2017.

On 27 December 2017, Yun Lee (BVI) acquired:

(a) 4,000 shares in Eastlink Marine, representing 40% of the issued share capital of Eastlink Marine, from Mr. Wen, in consideration of Yun Lee (BVI) allotting and issuing 123 shares of Yun Lee (BVI) to Kitling (BVI);

(b) 13,500 shares in KMY Marine, representing 100% of the issued share capital of KMY Marine, from Mr. Wen, in consideration of Yun Lee (BVI) allotting and issuing 85 shares of Yun Lee (BVI) to Kitling (BVI);

(c) 6,000 shares, 6,000 shares and 8,000 shares in MKK Marine, representing 30%, 30% and 40% of the issued share capital of MKK Marine, from Mr. Wen, Mr. Chow and Mr. Cheung, respectively, in consideration of Yun Lee (BVI) allotting and issuing 400 shares, 400 shares and 533 shares of Yun Lee (BVI) to Kitling (BVI), Mr. Chow and Mr. Cheung, respectively;

(d) 120,000 shares in Yun Lee Tug Boat, representing 100% of the issued share capital of Yun Lee Tug Boat, from Mr. Wen, in consideration of Yun Lee (BVI) allotting and issuing 774 shares of Yun Lee (BVI) to Kitling (BVI);

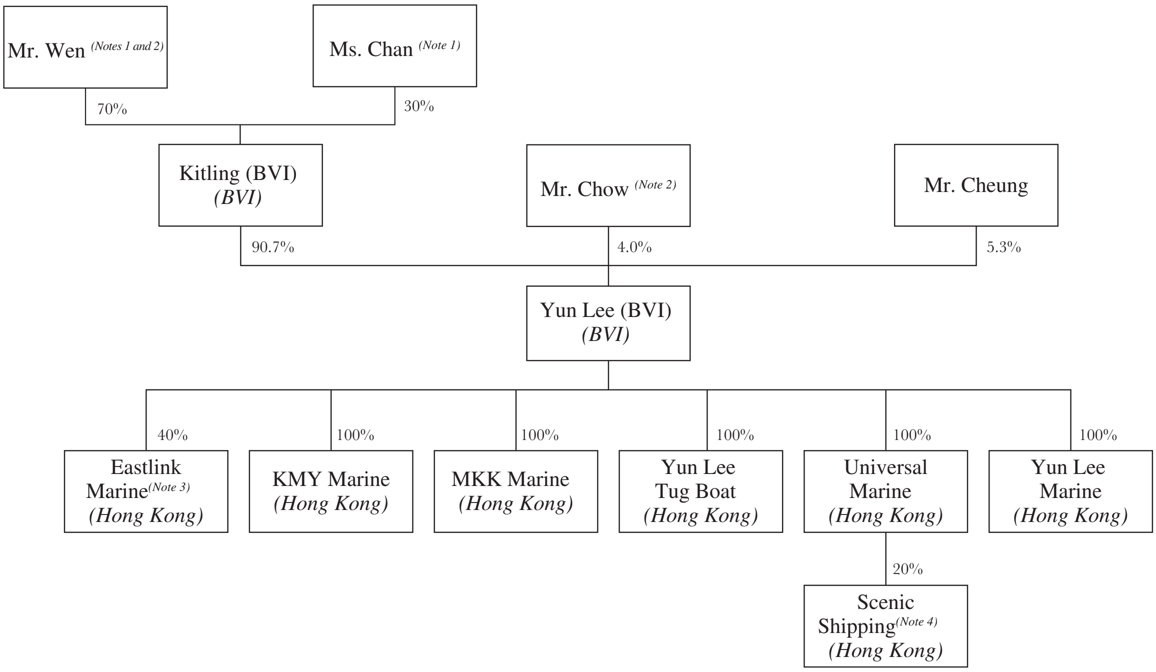
(e) 5,000 shares and 5,000 shares in Universal Marine, representing 50% and 50% of the issued share capital of Universal Marine, from Mr. Wen and Ms. Chan, respectively, in consideration of Yun Lee (BVI) allotting and issuing 25 shares of Yun Lee (BVI) to Kitling (BVI); and

(f) 7,000 shares and 3,000 shares in Yun Lee Marine, representing 70% and 30% of the issued share capital of Yun Lee Marine, from Mr. Wen and Ms. Chan, respectively, in consideration of Yun Lee (BVI) allotting and issuing 7,659 shares, in aggregate, of Yun Lee (BVI) to Kitling (BVI).

Immediately after the above restructuring steps and prior to the Reorganisation, Yun Lee (BVI) had a fully paid up share capital of US$10,000 divided into 10,000 shares, and was owned as to 90.7% (9,067 shares) by Kitling (BVI), 5.3% (533 shares) by Mr. Cheung and 4.0% (400 shares) by Mr. Chow.

Immediately after the above restructuring steps and prior to the Reorganisation, each of Eastlink Marine and Scenic Shipping became an associate of Yun Lee (BVI) and each of KMY Marine, MKK Marine, Yun Lee Tug Boat, Universal Marine and Yun Lee Marine became a direct wholly-owned subsidiary of Yun Lee (BVI).

The following diagram shows the shareholding and corporate structure of the Group following restructuring pursuant to the Pre-IPO Investment and prior to the Reorganisation:



Notes:

1. Mr. Wen is the spouse of Ms. Chan.
2. Mr. Chow is the cousin of Mr. Wen's father.
3. Eastlink Marine is owned as to (i) 40% by Yun Lee (BVI); (ii) 30% by Mr. Lau Chi Wai, an Independent Third Party and (iii) 30% by Mr. Lo Ping Kwan, an Independent Third Party.
4. Scenic Shipping is owned as to (i) 20% by Universal Marine; (ii) 40% by Lucky State Holdings Limited, an Independent Third Party; (iii) 20% by Man Yue Logistics Company Limited, an Independent Third Party; and (iv) 20% by Mr. Lau Chi Sing, an Independent Third Party.

Pre-IPO Investment

On 28 November 2017, Kitling (BVI) entered into the Pre-IPO Investment Subscription Agreement with Novel Choice, pursuant to which Kitling (BVI) issued the Exchangeable Note to Novel Choice at a consideration of HK$12,500,000. The Exchangeable Note was issued on 11 January 2018.

The Exchangeable Note shall be mandatorily and automatically exchanged for 50,000,000 Shares on the Business Day immediately prior to the completion of the Listing. Immediately upon completion of the Capitalisation Issue and the Share Offer, Novel Choice will directly hold 5.0% of the total issued share capital of the Company.

On 5 February 2018, Novel Choice transferred the Subscription Price to Kitling (BVI). On 1 March 2018, Kitling (BVI) transferred the Subscription Price to Yun Lee (BVI) in the form of a shareholder's loan (the "**Shareholder's Loan**"). On 1 March 2018, Kitling (BVI) as the assignor and Novel Choice as the assignee entered into a deed of assignment (the "**Deed of Assignment**"), pursuant to which Kitling (BVI) assigned the Shareholder's Loan due from Yun Lee (BVI) to Novel Choice as a security for the Exchangeable Note. The assignment will be fully discharged when all the present and future obligations and liabilities of Kitling (BVI) to Novel Choice under the transaction documents of the Pre-IPO Investment, namely, the Pre-IPO Investment Subscription Agreement, the Deed of Assignment, the subordination agreement, the personal guarantee and the Exchangeable Note, have been unconditionally and irrevocably paid and discharged in full or when the Exchangeable Note has been fully converted and exchanged upon Listing, whichever is earlier.

Since Kitling (BVI) lent the Shareholder's Loan to Yun Lee (BVI), on 1 March 2018, Yun Lee (BVI) as the borrower, Kitling (BVI) as the lender, Mr. Wen and Ms. Chan as the shareholders of Kitling (BVI) and Novel Choice as the assignee, entered into a subordination agreement, pursuant to which, for so long as the Shareholder's Loan remains outstanding, Kitling (BVI) undertakes to subordinate any financial indebtedness of Yun Lee (BVI), including but not limited to any financial indebtedness owed by Yun Lee (BVI) to Mr. Wen and/or Ms. Chan to the Shareholder's Loan, as a security for the Exchangeable Note.

The consideration for the Pre-IPO Investment was fully and irrevocably settled, and the transaction contemplated thereunder was completed on 1 March 2018 (the "**Completion Date**"). The Pre-IPO Investment shall not be seen as unwoundable by the repayment of the Shareholder's Loan by Yun Lee (BVI) to Novel Choice on the basis that:

(i) Kitling (BVI) and Novel Choice entered into the Deed of Assignment as a security to the Pre-IPO Investment. Pursuant to the Deed of Assignment, when all the present and future obligations and liabilities of Kitling (BVI) to Novel Choice under the transaction documents of the Pre-IPO Investment, namely, the Pre-IPO Investment Subscription Agreement, the Deed of Assignment, the subordination agreement, the personal guarantee and the Exchangeable Note have been unconditionally and irrevocably paid and discharged in full or when the Exchangeable Note has been converted and exchanged upon Listing (whichever is earlier), Novel Choice must release the Kitling (BVI) from the Deed of Assignment;

(ii) pursuant to the Pre-IPO Investment Subscription Agreement, Kiting (BVI) issued and Novel Choice subscribed for the Exchangeable Note at a consideration of HK$12,500,000 which is due eighteen months after the Completion Date (the "**Maturity Date**"). Novel Choice has the right to redeem the Exchangeable Note if the Listing does not occur on or before the Maturity Date. Kiting (BVI) and Novel Choice therefore did not contemplate any early redemption and/or repurchase of the Exchangeable Note before Maturity Date;

(iii) Novel Choice and Kitling (BVI) agreed and confirmed that it has no intention to and will not demand the Shareholder's Loan from Yun Lee (BVI) before the Listing Date unless the Listing fails on or before the Maturity Date; and

(iv) Yun Lee (BVI) agreed and confirmed that it has no intention to and will not repay the Shareholder's Loan before the Listing Date unless the Listing fails on or before the Maturity Date.

In light of the above, Novel Choice is not entitled to the divestment rights under the Pre-IPO Investment Subscription Agreement before the Maturity Date.

The below table summarises the details of the Pre-IPO Investment made by Novel Choice in the Group.

Name of pre-IPO investor	:	Novel Choice
Date of the Pre-IPO Investment Subscription Agreement	:	28 November 2017
Amount of consideration paid	:	HK$12,500,000
Date of payment of consideration	:	5 February 2018
Irrevocable settlement date of consideration	:	1 March 2018
Cost per Share paid by Novel Choice *(Note 1)*	:	Approximately HK$0.25
Approximate discount to the Offer Price *(Note 1)*	:	54.5%
Use of proceeds	:	Pursuant to the Pre-IPO Investment Subscription Agreement, the proceeds from the Pre-IPO Investment in the sum of HK$12,500,000 shall be used for the general working capital of the Group. As at the Latest Practicable Date, the Group had fully utilised the proceeds from the Pre-IPO Investment as the general working capital of the Group.
Strategic benefits	:	Having considered Mr. Tang's experience in the capital markets and construction machinery business in Hong Kong, the Directors consider that Mr. Tang would be able to assist the Group in strengthening its internal control and corporate governance practice; and to explore potential business opportunities with his extensive business connection network. The Directors further believe that the introduction of Novel Choice will improve the Group's capital base and hence will be beneficial to the Group's future business development.
Shareholding in the Company held by Novel Choice upon the Listing *(Note 2)*	:	50,000,000 Shares, representing 5.0% of the total issued share capital of the Company

Notes:

1. The calculation is based on HK$0.55 per Share, being the mid-point of the Offer Price range, and taking into account the Capitalisation Issue but without taking into account any Shares to be issued upon the exercise of any option which may be granted under the Share Option Scheme.
2. Assuming no exercise of the options which may be granted under the Share Option Scheme.

Information on Novel Choice and its ultimate owner

Novel Choice is an Independent Third Party (other than being the Shareholder upon the automatic exchange of the Exchangeable Note). Novel Choice is an international business company with limited liability incorporated in the Republic of Seychelles and its principal business activity is investment holding. As at the Latest Practicable Date, Novel Choice is wholly owned by Mr. Tang, an Independent Third Party.

Since September 2014, Mr. Tang has been an executive director of Clear Lift Holdings Limited, now known as Hao Tian International Construction Investment Group Limited ("**Hao Tian**"), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1341). Since June 1989, he has been a director of Chim Kee Company Limited, a wholly-owned subsidiary of Hao Tian, engaged in the construction machinery rental and trading in Hong Kong. Mr. Tang has extensive experience in the rental and trading of construction machines.

Mr. Wen and Ms. Chan were first introduced to Mr. Tang in around 2017 by a mutual friend of Mr. Wen and Mr. Tang, who is the legal adviser of Mr. Tang and has been advising Mr. Tang and his business on legal compliance related matters. This mutual friend introduced Mr. Tang to Mr. Wen to explore possible investment opportunities in around 2017. To the best knowledge of the Directors, this mutual friend is an Independent Third Party and he does not have any relationship with the Group, the Controlling Shareholders, the Directors, senior management or any of their respective associates.

Mr. Tang has also been a pre-IPO investor in another instance. A sale and purchase agreement dated 29 June 2016 was entered into between Wang K M Limited as vendor and Bright Team Limited, a wholly-owned company of Mr. Tang, pursuant to which Bright Team Limited agreed to acquire 500 shares in Royal Deluxe Holdings Limited ("**Royal Deluxe**"), shares of which are listed on the Main Board (stock code: 3789), representing 5% of the then issued share capital of Royal Deluxe, at a consideration of approximately HK$20.0 million. Save as disclosed above and to the best knowledge of the Directors, Mr. Tang is not involved in any other pre-IPO investments in Hong Kong as at the Latest Practicable Date.

Save for the Pre-IPO Investment, to the best knowledge of the Directors, each of Novel Choice and Mr. Tang does not have any relationship with the Group, the Directors, senior management or any of their associates.

Reasons of the Pre-IPO Investment

As disclosed above, Mr. Tang is a director of Chim Kee Company Limited, which provides construction machinery rental services by leasing construction machines such as crawlers, cranes, aerial platforms and foundation equipment to its customers, which are contractors engaged in either public or private construction projects in Hong Kong. In addition to construction machinery rental and trading services, it also offers transportation services including heavy machinery transportation and local container delivery. In some cases, heavy machinery is required to be transported by chartered vessels to the construction sites given the limitations on cargo size and weight for land transportation. On this account, Mr. Tang is familiar with the vessel chartering industry. Given that transportation service is complementary to construction machinery rental service and sea transportation is complementary to land transportation, Mr. Tang believes that the Pre-IPO Investment could create synergy effect to his current business as the Group is an established maritime services provider in Hong Kong. With the support of the Group, Mr. Tang could accommodate the different needs of customers in the construction machinery rental industry.

From the financial perspective, Mr. Tang also considers that the industry outlook of vessel chartering is positive since many under-planning projects are to commence, which will create market opportunities for vessel chartering industry in the next few years. Mr. Tang is very keen on the vessel chartering industry since he foresees that it will be growing continuously due to significant increase in demand for vessel chartering from marine construction projects driven by the infrastructure projects initiated by the Government. Given that Mr. Tang has extensive experience and understanding of Hong Kong capital markets through his directorship in Hao Tian, he decided to make a private investment in the Group after evaluating the financial position and business prospects of the Group. The Directors are of the view that Mr. Tang would be able to bring strategic benefits to the Group's future business development.

Basis of determining the Subscription Price paid by Novel Choice

The terms of the Pre-IPO Investment Subscription Agreement, including the Subscription Price paid by Novel Choice, were determined based on arm's length commercial negotiations with reference to the financial performance and profitability of the Group for each of the two years ended 31 March 2017 and the investment risks assumed by Novel Choice in investing in an unlisted company. The source of fund of Novel Choice for the Pre-IPO Investment was derived from own fund of its ultimate owner, Mr. Tang.

Rights of pre-IPO investor

Novel Choice is entitled to an information right pursuant to the Pre-IPO Investment Subscription Agreement. Each of Mr. Wen, Ms. Chan and Kitling (BVI) shall take all actions within his/her/its/their powers to procure the Group to provide Novel Choice with the financial and accounting information and other books and records of the Group on a timely and regular basis. This special right will be terminated upon the Listing.

Lock-up and public float

The Shares held by Novel Choice after the automatic exchange of the Exchangeable Note to the Shares shall be subject to a lock-up period of six months after the Listing. As Novel Choice is expected to hold less than 10% of the total issued share capital of the Company immediately following the completion of the Share Offer, all the Shares held by Novel Choice will be counted towards the public float pursuant to Rule 8.24 of the Listing Rules after the Listing.

Sponsor's confirmation

The Sponsor is of the view that the Pre-IPO Investment is in compliance with (i) the Interim Guidance on Pre-IPO Investments HKEx-GL-29-12 (January 2012) (updated in March 2017) as the consideration for the Pre-IPO Investment was fully settled more than 28 clear days before the date of the first submission of the application for the Listing; (ii) the Guidance Letter HKEx-GL43-12 (October 2012) (updated in July 2013 and March 2017); and (iii) the Guidance Letter HKEx-GL44-12 (October 2012) (updated in March 2017).

REORGANISATION

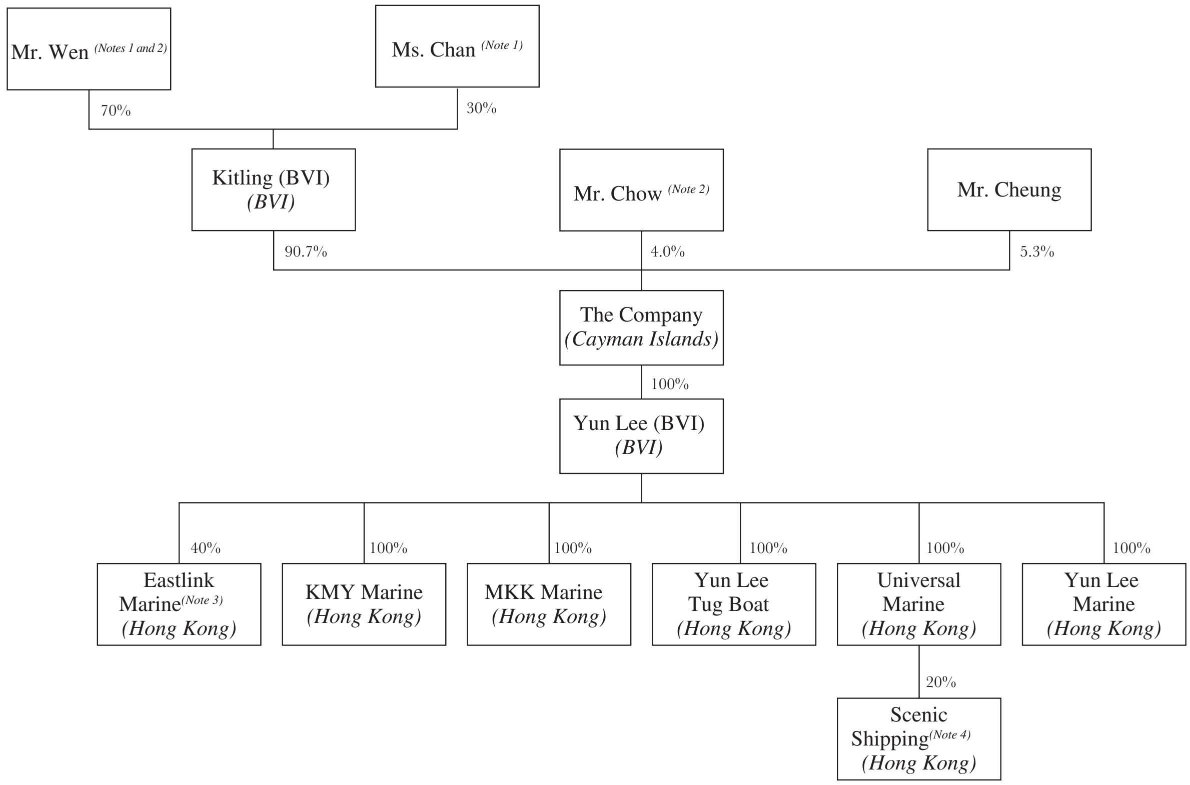
1. Incorporation of the Company

The Company was incorporated in the Cayman Islands on 21 February 2018 as the holding company of its subsidiaries. For further details, please refer to the sub-section headed "The Group — (i) The Company" in this section.

2. Acquisition of Yun Lee (BVI) and share swap

On 14 September 2018, the shareholders of Yun Lee (BVI) and the Company entered into a share swap agreement whereby the shareholders of Yun Lee (BVI) transferred all their shares in Yun Lee (BVI) to the Company, in consideration of the Company respectively allotting and issuing 9,067 Shares to Kitling (BVI), 533 Shares to Mr. Cheung and 400 Shares to Mr. Chow. After the share swap and up to the Latest Practicable Date, Yun Lee (BVI) was a direct wholly-owned subsidiary of the Company. The aforesaid share swap was properly and legally completed and settled on 14 September 2018.

The following diagram shows the shareholding and corporate structure of the Group following completion of the Reorganisation:



Notes:

1. Mr. Wen is the spouse of Ms. Chan.
2. Mr. Chow is the cousin of Mr. Wen's father.
3. Eastlink Marine is owned as to (i) 40% by Yun Lee (BVI); (ii) 30% by Mr. Lau Chi Wai, an Independent Third Party and (iii) 30% by Mr. Lo Ping Kwan, an Independent Third Party.
4. Scenic Shipping is owned as to (i) 20% by Universal Marine; (ii) 40% by Lucky State Holdings Limited, an Independent Third Party; (iii) 20% by Man Yue Logistics Company Limited, an Independent Third Party; and (iv) 20% by Mr. Lau Chi Sing, an Independent Third Party.

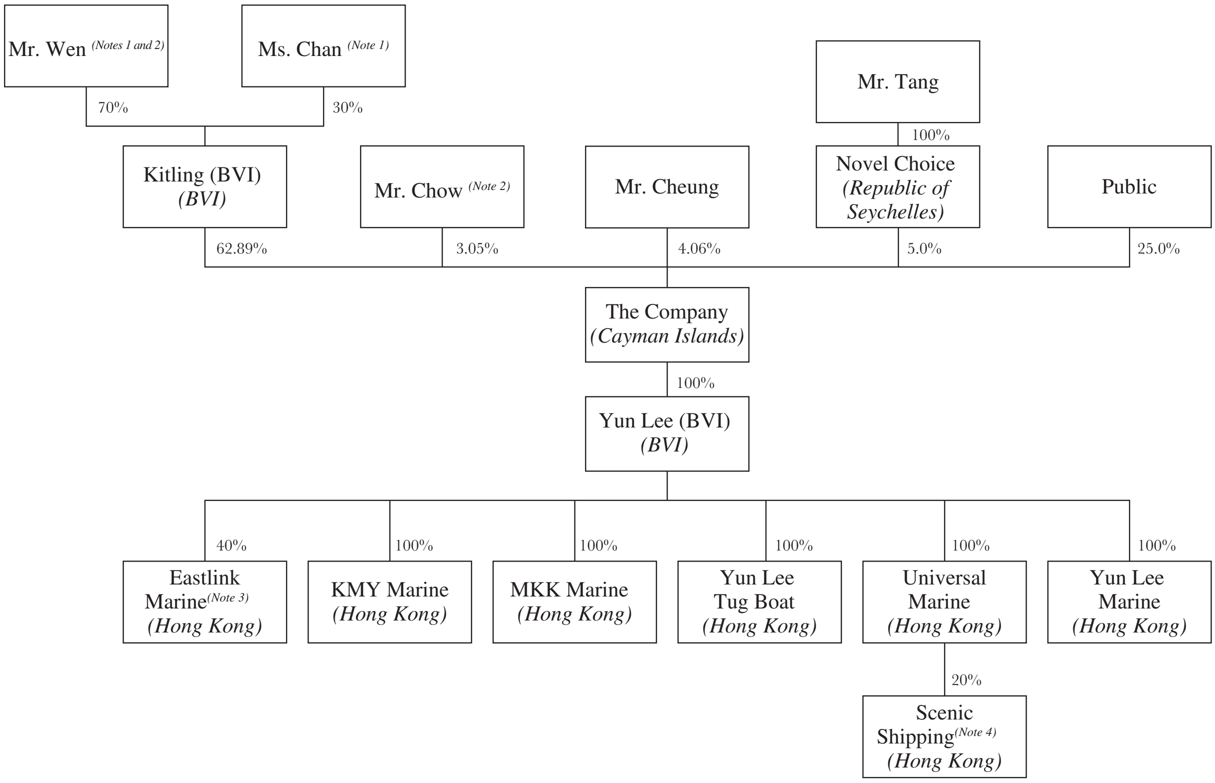
3. Increase in authorised share capital and Capitalisation Issue

On 20 September 2018, the Company passed the necessary resolutions to increase its authorised share capital from HK$50,000 divided into 5,000,000 Shares to HK$50,000,000 divided into 5,000,000,000 Shares, by the creation of an additional 4,995,000,000 Shares.

Conditional upon the Company's execution of the Public Offer Underwriting Agreement, HK$7,624,800 standing to the credit of the share premium account of the Company will be capitalised by applying such sum to pay up in full at par, 762,480,000 Shares (including the 62,500,000 Sale Shares) for allotment and issuance as fully paid up Shares to Kitling (BVI) (691,340,616 Shares), Mr. Chow (30,499,200 Shares) and Mr. Cheung (40,640,184 Shares). In addition, upon the exercise of the Exchangeable Note, 50,000,000 Shares, credited as fully paid, will be allotted and issued to Novel Choice. The aforesaid Shares allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the then existing issued Shares.

As at the Latest Practicable Date, the Reorganisation had been properly and legally completed in compliance with all relevant laws and regulations.

The following diagram shows the shareholding and corporate structure of the Group following completion of the Reorganisation, and immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



Notes:

1. Mr. Wen is the spouse of Ms. Chan.

2. Mr. Chow is the cousin of Mr. Wen's father.

3. Eastlink Marine is owned as to (i) 40% by Yun Lee (BVI); (ii) 30% by Mr. Lau Chi Wai, an Independent Third Party and (iii) 30% by Mr. Lo Ping Kwan, an Independent Third Party.

4. Scenic Shipping is owned as to (i) 20% by Universal Marine; (ii) 40% by Lucky State Holdings Limited, an Independent Third Party; (iii) 20% by Man Yue Logistics Company Limited, an Independent Third Party; and (iv) 20% by Mr. Lau Chi Sing, an Independent Third Party.

OVERVIEW

The Group is a maritime services provider in Hong Kong with over 20 years of operating history. Services of the Group include (i) vessel chartering and related services; and (ii) ship management. During the Track Record Period, all of the Group's revenue was generated from Hong Kong and was denominated in Hong Kong dollars. According to the Ipsos Report, the Group had a market share of approximately 4.2% in the local vessel chartering industry in Hong Kong in 2017.

The Group's vessel chartering and related services can be further divided into three segments, namely (i) time charter, where the vessels are chartered for a specific time period on a monthly, daily or hourly basis; (ii) voyage charter, where the vessels are chartered for a specific voyage; and (iii) other related services, such as provision of crew members, maritime consultation services and vessel repair and maintenance services. The Group's ship management services refer to daily operation, and repair and maintenance services for third-party owned vessels.

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by business segments:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
							(unaudited)			
Vessel chartering and related services										
- Time charter services	114,896	77.5	126,648	66.5	160,131	75.2	83,935	74.7	65,886	72.0
- Voyage charter services	13,705	9.2	20,716	10.9	12,110	5.7	6,663	5.9	3,519	3.8
- Other related services	8,466	5.7	15,280	8.0	15,551	7.2	9,442	8.4	9,354	10.2
Sub-total	137,067	92.4	162,644	85.4	187,792	88.1	100,040	89.0	78,759	86.0
Ship management	11,306	7.6	27,748	14.6	25,256	11.9	12,377	11.0	12,781	14.0
Total	148,373	100.0	190,392	100.0	213,048	100.0	112,417	100.0	91,540	100.0

As at the Latest Practicable Date, the Group's vessel fleet had a total of 60 vessels, comprising 21 self-owned vessels and 39 chartered vessels, of which 59 vessels were operating under time charter and one vessel was operating under voyage charter or being standby. As at 30 September 2018, the Group had only entered into one legally binding ship management contract for two purpose built container vessels. For the Group's recent development, please refer to the section headed "Summary — Recent development" in this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths set the Group apart from its competitors and enable the Group to continue its growth and enhance its profitability:

Strong presence and proven track record in the maritime services industry in Hong Kong

The Group was established in November 1994 and has accumulated over 20 years of experience in the maritime services industry in Hong Kong. Throughout its operating history, the Group has been providing vessel chartering services in various major infrastructure projects in Hong Kong, such as the HZMB Project, the 3RS Project and the sediment disposal facility at Sha Chau. According to the Ipsos Report, the Group had a market share of approximately 4.2% in the local vessel chartering industry in Hong Kong in 2017. The Directors believe that the Group's strong presence in the maritime services industry and its proven track record differentiate the Group from its competitors.

Comprehensive vessel fleet and established relationships with third-party vessel owners

The Group's vessel fleet comprises various types of vessels, ranging from tugs, launches, dumb lighters and work boats. The Directors consider that the diversity of the Group's vessel fleet enables the Group to accommodate different needs of its customers so that the customers can minimise their effort in managing various vessel suppliers, thus differentiating the Group from its competitors. As at the Latest Practicable Date, the Group's vessel fleet comprised 21 self-owned vessels and 39 chartered vessels. The Group has established stable relationships with third-party vessel owners. Among the Group's top five vessel suppliers during the Track Record Period, six of them had a business relationship with the Group for at least four years. The Directors consider that the established relationships with its major vessel suppliers enable the Group to maintain a stable supply of vessels.

Stable and experienced management team with substantial industry expertise and know-how

The Directors believe that the expertise, experience and industry knowledge of the Group's senior management team plays an important role in the Group's development. Mr. Wen, an executive Director and the co-founder of the Group, has over 20 years of experiences in the maritime services industry in Hong Kong. Mr. Wen currently holds certain public offices in The Local Vessels Advisory Committee of the Marine Department and the Hong Kong & Kowloon Motor Boats & Tug Boats Association Limited. Mr. Cheung, a director of MKK Marine, has approximately 30 years experiences in the maritime services industry and he currently holds certain public offices in The Local Vessels Advisory Committee and The Port Operations Committee of the Marine Department. For further details of their biographies, please refer to the section headed "Directors and senior management" in this prospectus.

As at the Latest Practicable Date, the Group had 40 employees holding Local Certificate of Competency — Coxswain and 48 employees holding Local Certificate of Competency — Engine Operator, while 29 of the Group's employees possess both the Local Certificate of Competency — Coxswain and the Local Certificate of Competency — Engine Operator. The Directors are of the view that the industry expertise and know-how of the Group's management team and employees is a key factor in maintaining the high quality of the Group's services.

BUSINESS STRATEGIES

The Group's principal business objective is to achieve sustainable growth in its current business and to strengthen the Group's capability to capture more business opportunities by executing the following strategies:

Expand the Group's vessel fleet and capacity to capture attractive business opportunities

The Directors consider that the Group's revenue from the vessel chartering and related services segment is hinged on the availability of the Group's vessel fleet. During the Track Record Period, the Group provided its vessel chartering services with self-owned vessels and chartered vessels. The Group's vessel fleet as at the Latest Practicable Date comprised a total of 60 vessels, of which 21 vessels were owned by the Group and 39 vessels were owned by third-party owners and chartered to the Group. As at the Latest Practicable Date, among these 60 vessels, 59 of them were chartered to the Group's customers under time charter while the remaining one was reserved for voyage charter services or placed on standby. Based on the time the Group's vessels were chartered during each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's self-owned vessels had a utilisation rate of approximately 97.8%, 93.7%, 90.7% and 90.2%, respectively. During the Track Record Period, subject to the Group's financial resources at the material time, the Group was able to acquire four vessels with average capacities, including two launches, one tug and one dry cargo vessel with gross tonnage of approximately 36.50 tonnes, 67.70 tonnes, 134.14 tonnes and 246.00 tonnes, respectively, for the costs amounted to approximately HK$0.7 million, HK$0.5 million, HK$1.7 million and HK$4.3 million, respectively. The Directors consider that in order to enhance the Group's competitiveness in the local vessel chartering industry and cope with its demands from the market, it is necessary for the Group to acquire additional vessels. The Group is planning to acquire (i) additional tugs, launches and work boats with greater capacity and quality (in terms of gross tonnages, carrying capacity and vessel's material) as compared to those acquired by the Group; and (ii) more variety in types of vessels such as anchor boat, derrick barge and flat top barge which are the common types of vessels to facilitate marine construction in Hong Kong. As such, the cost of each type of vessels to be acquired by the Group is expected to be relatively higher ranging from approximately HK$0.7 million to HK$8.0 million. The exact cost and number of vessels to be acquired will depend on the market price, type and specification of the vessels.

Although the Group may hire additional vessels from third-party suppliers, the Directors are of the view that the Group can enjoy higher flexibility and better control over the management of its vessel fleet through the acquisition of vessels and reduce the risk exposure in the event that the Group is not able to renew the charterparties with its vessel suppliers. Moreover, the Directors believe that substantial cost savings can be achieved by acquiring additional vessels instead of hiring vessels which in turn would further enhance the Group's profit margin in the long run. In assessing cost-benefit of the Group regarding the acquisition of vessels, the Directors performed a hypothetical cost savings analysis based on the estimated gross profit margin of time charter services by using vessels to be acquired by the Group as compared with that by using chartered vessels from third-party suppliers. During the Track Record Period, as the Group's vessel chartering and related services were mainly driven by the provision of time charter services, for illustration purpose, the Directors performed such cost savings analysis solely for the provision of time charter services by the vessels to be acquired by the Group. For the avoidance of doubt, as self-owned vessels and chartered vessels from third-party suppliers may be used inter-changeably during the provision of time charter services depending on the availability of resources, it is impracticable to differentiate actual historical costs incurred by the Group in relation to revenue generated from each self-owned vessel and chartered vessel from third-party supplier.

As such, the Directors performed a hypothetical cost savings analysis, by comparing the amounts between (i) the expected profit margin of time charter services by chartering the vessel to be acquired by the Group, calculated based on monthly time charter income currently charged to the Group's customers per vessel and deducted by (a) the monthly depreciation charges, calculated based on straight-line method with 20 years of estimated useful life per vessel, arising from the acquisition cost of each vessel at the prevailing market price; and (b) the monthly operating expenses per vessel such as costs of crew members and repair and maintenance; and (ii) the expected profit margin of time charter services by chartering the chartered vessel from vessel supplier, calculated based on monthly time charter income currently charged to the Group's customers per vessel and deducted by (a) the monthly chartering costs per vessel charged by vessel suppliers based on the prevailing market rate; and (b) the monthly operating expenses per vessel such as costs of crew members and repair and maintenance. Based on the hypothetical cost savings analysis, the estimated monthly gross profit margins of time charter services by using tug, launch and work boat, which were the most commonly used vessels during the Track Record Period, to be acquired by the Group amounted to approximately 43.5%, 35.3% and 43.2%, respectively, whereas by using the respective vessels to be chartered from the third-party suppliers amounted to approximately 15.8%, 11.8% and 16.0%, respectively.

It is currently estimated that three of the 11 vessels will be newly built and the remaining eight will be second-hand vessels purchased from third-party suppliers. Save as disclosed in the section headed "Summary — Recent development" in this prospectus, the Group had not identified any definite targeted second-hand vessel for acquisition as at the Latest Practicable Date. The following table illustrates the Group's current plan in acquiring additional vessels, subject to changes in the market price and availability of vessels in the market, with the expected annual cost savings which are estimated on the bases as mentioned in the above paragraph:

Expected time period	**Number and type of vessels to be acquired**	**Approximate estimated aggregate acquisition cost**	**Approximate expected annual cost savings for the year ending 31 March**	
			2020	**2021**
		(HK$)	*(HK$)*	*(HK$)*
Second quarter of 2019	Issue purchase orders to build three new vessels including 1 tug, 1 launch and 1 work boat. It is expected that these newly built vessels will be ready for operation in the first quarter of 2020.	9.0 million, fully paid upon issuing of purchase orders	N/A	1.8 million

Expected time period	Number and type of vessels to be acquired	Approximate estimated aggregate acquisition cost	Approximate expected annual cost savings for the year ending 31 March 2020	2021
		(HK$)	*(HK$)*	*(HK$)*
Third quarter of 2019	Four second-hand vessels including 1 tug, 1 derrick barge, 1 flat top barge and 1 anchor boat.	20.5 million	2.8 million	3.8 million
Fourth quarter of 2019	Five second-hand vessels including 1 derrick barge, 1 flat top barge, 1 launch and 1 work boat.	18.5 million	666,000	2.7 million

As illustrated above, the expected total annual cost savings by acquiring additional vessels for the years ending 31 March 2020 and 2021 would be approximately HK$3.5 million and HK$8.3 million, respectively. The Directors consider that such expected cost savings mainly arise from the (i) generally lower depreciation expenses derived from the self-owned vessels as compared to other components of the Group's cost of revenue which only represented a minor portion of less than 2% of the Group's cost of revenue during the Track Record Period; and (ii) savings from the vessel chartering costs which usually subsume a portion of premium that charged by the Group's vessel suppliers. As such, the Directors are of the view that it is more cost effective for the Group to acquire additional vessels in the long run.

According to the Ipsos Report, the local vessel chartering industry in Hong Kong is expected to grow stably at a CAGR of approximately 1.4% from 2018 to 2022, which is comparable to the historical growth rate at a CAGR of approximately 1.5% from 2013 to 2017. Despite that the local vessel chartering industry in Hong Kong is forecasted to grow mildly from 2018 to 2022, the on-going marine-related infrastructure projects and under-planning marine-related infrastructure projects initiated by the Government, in particular, land reclamation, will continue to fuel the growth of local vessel industry going forward and the Directors therefore consider that there will be an increasing demand from the potential customers for the Group's vessel chartering services. In particular, the Group has gradually re-allocated its vessel fleet from the HZMB Project, which had been substantially completed in the six months ended 30 September 2018, to support the 3RS Project which is expected to complete in 2023 and other major infrastructure projects in Hong Kong such as Integrated Waste Management Facilities Phase 1 project which is expected to complete in 2033, Tung Chung New Town Extension project — Reclamation and advance works which is expected to complete in 2023 and Cross Bay Link — Tseung Kwan O project which is expected to be completed in 2022. There had been increases in the number of vessels chartered to the Integrated Waste Management Facilities Phase 1 project, Tung Chung New Town Extension project — Reclamation and advance works and Cross Bay Link — Tseung Kwan O project, from 2, 2 and nil as at 31 March 2018, respectively, to 5, 11 and 4 as at the Latest Practicable Date, respectively, while a decrease in number of vessels chartered to the 3RS Project from 28 as at 31 March 2018 to 22 as at the Latest Practicable Date, however, the Directors believe that there will be an increase in demand for the Group's vessel chartering services along with the work progress of the aforesaid projects. Based on the past experience of dealing with the customers in various marine-related infrastructure projects, the Directors understand that it is a common practice for the customers to extend the charter period by issuing a supplemental work order or entering a new contract phase-by-phase depending on the work progress and schedule of the projects. Despite some of the expected charter period end of the abovementioned projects which would be in 2019, the Directors consider that the Group would be able to secure continuous work orders/ new contracts from the customers given that (i) the Group's proven track record in providing vessel chartering services in marine-related construction works; (ii) these projects only commenced for about one to two years and are expected to be completed in or after 2022; and (iii) the Group had not experienced any material contractual disputes with its customers during the Track Record Period. In order to allow the Group's flexibility to allocate the vessel fleet simultaneously in case of the overlapping in the work progress of various major projects, the Directors believe that it is necessary for the Group to expand its vessel fleet which in turn enables the Group to cater for the increasing demand from the customers.

Apart from the tender invitation for the Group's time charter services, the potential customers generally provide certain information such as number and type of vessel(s) required, estimated charter period/ voyage details, etc., and request the Group to provide quotation for the vessel chartering services. Before providing quotation for the customer's consideration, the Group will consider, amongst others, the vessel availability for the relevant service time, including both self-owned vessels and chartered vessels. In case the number of vessels available in the Group's fleet does not meet the number of vessels required by the customer, the Group will only provide quotation for the number of vessels available if the customer agrees. As such, it is not able to quantify the amount of revenue which the Group was not able to accept due to the shortage of vessels during the Track Record Period. The Directors consider that the number of chartering contracts/work orders the Group is able to undertake so as to expand its business hinges on the availability of the Group's vessel fleet and human resources.

In addition, the competition of the local vessel chartering industry is considered fragmented and the Group historically accounted for approximately 4.2% of the market share in terms of revenue in 2017 as stated in the Ipsos Report. The Directors consider that the Group's self-owned fleet has been operated at a relatively high utilisation rate and approached its full capacity throughout the Track Record Period. In order to capture a larger market share in the local vessel chartering industry, the Directors consider that the addition of self-owned vessels to the Group's vessel fleet would enable the Group to (i) increase its capacity to undertake more business opportunities as mentioned in the above paragraphs that having considered the number of chartering contracts/work orders the Group is able to secure largely depends on the availability of the Group's vessel fleet and the utilisation rates of the Group's self-owned vessels have been approaching full capacity throughout the Track Record Period, the enhancement of vessel fleet size would allow the Group to serve the demands from new or existing customers in both time charter and voyage charter services in the long run; (ii) enhance its competitiveness and in turn open up new opportunities by offering the vessel fleet with a wider range of capacities (in terms of gross tonnages, carrying capacity and vessel's material) and increase in the variety of vessel types to flexibly cater for various needs of the Group's customers to support their marine construction projects in Hong Kong; (iii) offer more competitive prices for the Group's vessel chartering services to attract new or existing customers as the Group could enjoy the expected cost savings effect as illustrated in the above hypothetical cost savings analysis ; and (iv) gain confidence from the Group's customers as the Directors believe that the enlarged vessel fleet and improved service quality by deploying vessels with higher flexibility would in turn further strengthen the Group's reputation in the industry and increase future business opportunities. Therefore, the Directors believe that the Group is able to increase its market share within the industry through the acquisition of additional vessels.

Establish a shipyard to provide vessel repair and maintenance services

The Group plans to establish a shipyard in Hong Kong to provide repair and maintenance services for its self-owned vessels and third-party owned vessels. During the Track Record Period, the Group provided vessels repair and maintenance services to its customers and also purchased repair and maintenance services from third-party suppliers for its self-owned vessels. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred repair and maintenance expenses of approximately HK$5.8 million, HK$7.2 million, HK$7.3 million and HK$4.0 million, respectively, accounting for approximately 5.0%, 5.1%, 4.8% and 6.6% of the Group's cost of revenue, respectively.

During the Track Record Period, the Group had four technical support staff members who possess relevant vessel repair and maintenance experience and were able to provide simple repair and maintenance services on board, such as cleaning or replacing small parts for the vessels. For the major vessel repair and maintenance, such as propeller repairing or renovating the whole vessel, the Group had to engage third-party service providers in Hong Kong or the PRC to provide manpower, relevant machinery and equipment and the vessel docking area whereas the Group's technical support staff was responsible for overseeing and monitoring the process. Depending on the availability of third-party service providers in Hong Kong, the Group sometimes had to haul its vessels, including both self-owned vessels or third-party vessels, to third-party service providers' docks in the PRC for repair and maintenance hence incurring extra costs. To this end, the Directors are of the view that the establishment of a shipyard would offer the Group a stable supply of repair and maintenance services for its self-owned vessels which in turn would enhance the flexibility of the Group's repair and maintenance schedule and reduce the Group's costs.

During the Track Record Period, the Group provided vessel repair and maintenance services to its vessel suppliers and third-party customers. Other than the Group's self-owned vessels, the Directors consider that it is the Group's primary target to continue to, upon the establishment of the shipyard, serve the demands of vessel repair and maintenance from its vessel suppliers and to further capture the business opportunities from the considerable demands in the market. For each of the three years ended 31 March 2018, the Group recognised income derived from the provision of vessel repair and maintenance services of approximately HK$19,000, HK$688,000 and HK$1.0 million, respectively. As evidenced by the increases in the Group's vessel repair and maintenance income throughout these years, the Directors consider that the establishment of a shipyard would enable the Group to provide repair and maintenance services for other vessels in the market which in turn would diversify the Group's revenue stream.

According to the Ipsos Report, the growth in the gross output value of local vessel repair and maintenance service industry is forecasted to be relatively stable at a CAGR of approximately 2.2%, from approximately HK$787.8 million in 2018 to approximately HK$859.5 million in 2022, and there are a number of market drivers that will continue to support the growth of local vessel repair and maintenance service industry in Hong Kong. According to the Ipsos Report, the total number of licensed vessels, including Class I, Class II, Class III and Class IV vessels, increased from 16,282 units in 2012 to 18,712 units in 2017, rising at a CAGR of approximately 2.8%, whereas there were merely approximately 70 shipyards that provided repair and maintenance services for vessels in Hong Kong. Furthermore, due to the mandatory regular inspection required by the relevant Hong Kong maritime regulations for every vessel operating in Hong Kong waters and the expected growth in the number of local vessels used to support the on-going and upcoming marine construction projects, such as the 3RS Project and the "Tung Chung New Town Extension" project, which in turn will increase the vessel damage rate due to continuous usages, and is expected to further drive the demand for vessel repair and maintenance services in Hong Kong. According to local vessels' trade association, vessel owners normally schedule for repair and maintenance services about one to two months in advance, while subject to the services scope, the duration for a vessel repair and maintenance service is typically ranged from a week to a few months. Given the ageing of local licensed vessels, of which the average ages of licensed vessels under Class I, Class II, Class III and Class IV are 24 years, 20 years, 17 years and 10 years, respectively, with the oldest ages of 60 years, 61 years, 57 years and 51 years, respectively, the aged vessels are generally required to repair at least once or twice every year. As such, the demands for repair and maintenance works from the ageing vessels are expected to increase as the physical condition of the ageing vessels and their components will continue to deteriorate.

By setting up its own shipyard equipped with all necessary machinery, equipment and manpower, the Directors consider that it would not only allow the Group to serve its vessel fleet but also allow the Group to capture a larger portion of market share by provision of repair and maintenance services to the local licensed vessels under other classes. The Directors expect that the Group will provide its vessel repair and maintenance services to all types of local vessels upon establishing the shipyard, such as Class I and II of local licensed vessels, including tugs, launches, work boats, dumb lighters; and Class III and IV of local licensed vessels, including fishing vessels and pleasure vessels. Moreover, there is an obligation for local vessels to be certificated by obtaining a valid certificate of survey or certificate of inspection under the MS(LV)O regularly, therefore, local vessels have to be inspected regularly, with any defective or damaged vessel compartments repaired to ensure that they pass the survey or inspection, creating a sustainable demand for local vessel repair and maintenance services in Hong Kong.

Taking into account the fact that (i) regular and/or emergency repair and maintenance services are necessary for all types of local vessels to maintain their daily operation and safety; (ii) various Government bureaus/departments were in favour of keeping the shipyard in Hong Kong as further discussed below; (iii) it would be more cost and time efficient for the Group's vessel fleet to have repair and maintenance services done at its shipyard in Hong Kong and the Group would also be able to attract new customers which may not be willing to haul the vessels in the PRC for the repair and maintenance services; and (iv) the Group has an operating history of over 20 years with a proven track record for the provision of vessel chartering services in various major marine-related infrastructure projects in Hong Kong, such proven track record and past experience can differentiate the Group from its competitors in the industry. Besides, the management team is led by Mr. Wen, an executive Director, the chairman of the Board and the chief executive officer of the Company, who has over 20 years of experience in the maritime services industry and has played a leading role in the Group's overall business growth. Leveraging on Mr. Wen's business network, experience and in-depth knowledge in the maritime service industry, it is expected that the Group will be able to attract new customers and explore more potential business opportunities in the market, the Directors therefore consider that there will be considerable demands and vast opportunities for the Group to grow which justify the Group's business strategies and implementation of plans.

It is the Group's plan to lease a parcel of land in Hong Kong with an estimated annual rental of approximately HK$1.0 million to set up and operate a shipyard. The following table illustrates the Group's current plan in establishing a shipyard by utilising part of its net proceeds from the Share Offer:

Expected time period	**Details**	**Approximate estimated costs** *(HK$)*
In late December 2018	Submitted tenders to the Government for leasing two parcels of lands designated for ship repairing.	N/A
Second quarter of 2019	Award of the tenancy from the Government for one of the tendered parcels of lands.	N/A
Third quarter of 2019	Build the shipyard by engaging third-party contractors and acquire relevant machinery and equipment.	21.0 million in aggregate (including estimated design and construction costs of approximately HK$14.5 million and estimated costs of machinery and equipment of approximately HK$6.5 million)
Fourth quarter of 2019	Hire 21 employees including seven mechanical and electrical technicians, four metalworkers, four workers for repair and maintenance works, two technical supporting staff and four administrative supporting staff. Commence operation of the shipyard.	10.0 million for the first 12 months (including estimated staff costs of approximately HK$9 million and estimated operating costs of approximately HK$1 million). The Group intends to utilise its internal resources for the above estimated operating costs of shipyard operation.

In late December 2018, the Group had submitted tenders to the Lands Department with the tender deposits paid for two parcels of lands along Ap Lei Chau Praya Road (the "**Proposed Sites**"), of which (i) a parcel of land has a proposed site area of approximately 889 m^2; and (ii) the other parcel of land has a proposed site area of approximately 1,981 m^2. The Proposed Sites are proposed to be used for ship or boat building, or ship or boat repairing or both (excluding building and/or repairing of steel ships or boats) and are proposed to be leased for a fixed term of five years with an option to extend up to seven years in total. The average annual rental of the Proposed Sites tendered by the Group is approximately HK$1 million. In the event that the Group succeeds in both tenders of the Proposed

Sites, the Group will select the most suitable parcel of land (in terms of the actual site conditions, final prices and final tender conditions to be offered by the Lands Department) for establishing the intended shipyard. After making enquiries with the Lands Department, the tender result will normally be released within three months after tender submission and the Directors expect that the tender results of the Proposed Sites will be released in the second quarter of 2019.

The Directors are optimistic about the result of the tenders for the Proposed Sites and the availability of needed manpower for setting up a shipyard, having considered that:

(i) the Government is in support of the local vessel repair and maintenance service industry in Hong Kong to cater for the increasing demand for ship repair and maintenance services, as stated in the press release dated 10 January 2018 in relation to ship repair and maintenance services published on the website of the Transport and Housing Bureau of the Government, which mentions its commitment to develop the maritime, port and shipping industry. With regard to local vessels, providing timely and sufficient repair and maintenance services, as well as nurturing more ship repair talents are essential to port operation and safety, and the sustainable development of the industry;

(ii) to attract and encourage young people and in-service practitioners to receive training and become skilled workers to increase the workforce supply in the vessel repair industry, the Government has established the "Ship Repair Training Incentive Scheme" under the "HK$100 million Maritime and Aviation Training Fund" in 2014, which is expected to induce more talents to participate in the industry; and

(iii) with hundreds of graduates related to the vessel repair industry from Vocational Training Council in each year, such as mechanical engineering, the Directors believe there will be a stable workforce supply in the market. Besides, the Directors are planning to (a) hire experienced workers who possess relevant vessel repair and maintenance knowledge in the market through the Labour Department of Hong Kong and the referrals from the executive Directors; and (b) operate an apprenticeship training programme to hire inexperienced workers who intend to participate in vessel repair industry, to provide them with on-the-job training under the Group's experienced technical support staff members and sponsorship to vessel repair related training courses. The Directors believe that the Group is able to secure sufficient manpower with relevant experience and qualification to operate the shipyard business.

The Directors estimate that the net profit margin before income tax expense for the vessel repair and maintenance business, when the shipyard is established and fully operated, will be approximately 20%. The estimated net profit margin before income tax expense is arrived on the basis of (i) the expected annual income from the vessel repair and maintenance operation comprising the basic vessel docking income (based on the prevailing market rate) and estimated vessel repair and maintenance income (based on the estimated staff costs plus an expected markup of 30% which is determined with reference to the low-end of markups derived from (a) the historical price of vessel repair and maintenance services charged by the third-party suppliers; and (b) the cost of the expected number of staff to perform such vessel repair and maintenance services by the Group); (ii) the operation of the shipyard with two docks for 365 days a year with an expected utilisation rate of 90% by the Group; (iii) estimated annual rental expense of approximately HK$1.0 million (based on the average annual rental of the Proposed Sites tendered by the Group); (iv) estimated annual staff costs and operating costs of approximately HK$10.0 million (based on the prevailing market rate of each function of staff members); (v) estimated annual depreciation expense of plant and equipment (based on straight-line method with five years of estimated useful lives) from the aggregate shipyard development costs of approximately HK$21.0 million (based on a quotation provided by a third-party contractor); and (vi) the variable costs of vessel parts and materials assumed to be passed on to customers.

With over 20 years of experience in maritime services industry, Mr. Wen, the executive Director, believes that he has accumulated sufficient knowledge of shipyard operation and will be responsible for the overall management of the Group's shipyard business whereas four of the Group's technical support staff will be assigned to monitor and operate the shipyard business on a daily basis. In view of the above, the Directors consider that through the establishment of a shipyard, the Group would not only be able to reduce its operating costs in the long run but it would also create a stable income for the Group from the provision of vessel repair and maintenance services in Hong Kong.

Further expand the Group's manpower and enhance the skills of its staff

The Group's principal businesses require the involvement of qualified personnel to operate and manage vessels. In order to cope with the Group's expansion plan as mentioned above, the Group intends to recruit 43 additional staff, including (i) 15 coxswains, 16 engine operators and eight other crew members to operate the additional 12 vessels intended to be acquired by the Group; and (ii) three technical support staff and one operation and procurement staff to cope with the expected expansion in the Group's business. The remuneration for the first 12 months of the abovementioned additional staff is estimated to be approximately HK$11.9 million and the Group intends to utilise its internal resources for such staff costs.

During the Track Record Period, each of the Group's vessels were required to operate by two to three crew members, it is expected that the additional vessels to be acquired by the Group are subject to the same requirement. Therefore, based on the past experience, the Directors consider the crew size that the Group currently plans to hire is in line with the historical crew size. Although the Group had occasionally engaged its subcontractors to provide labour for its vessel chartering services in order to alleviate certain administrative burden, along with the acquisition of additional vessels, the Directors are of the view that it is necessary to hire additional crew members to maintain better control in the service quality aspect as the Directors believe that this is one of the business values to maintain business relationship with customers in the long run.

To implement the Group's recruitment plan, the Group will seek qualified and experienced crew members by announcing vacancies through the Labour Department of Hong Kong. Due to the experience and the established network of the executive Directors and senior management of the Group in the local vessel chartering industry, they will also identify qualified and experienced crew members and refer them to the Group when appropriate.

In addition, the Government has implemented certain measures to promote the local vessel chartering industry, such as, introduction of the "Local Vessel Trade Training Incentive Scheme" under the "HK$100 million Maritime and Aviation Training Fund" in 2014 which serves to attract Hong Kong youngsters who have completed the pre-approved local seafarer training course to join the local vessel chartering industry and encourages them to acquire professional qualification as a local coxswain or engine operator. As at the Latest Practicable Date, the Group had two crew members who had completed the local vessel industry related training course under such incentive scheme. As part of the Group's recruitment plan, the Group will continue to seek talented graduates of pre-approved local seafarer training institutes to join the Group and provide them with apprentice training.

Furthermore, the Group intends to provide and make arrangements for the relevant staff to attend technical seminars and safety related courses to enhance their technical know-how and safety awareness. Such trainings would include internal training as well as courses organised by external parties and training institutions.

SERVICES OF THE GROUP

The Group is a maritime services provider in Hong Kong. Services of the Group include (i) vessel chartering and related services; and (ii) ship management. During the Track Record Period, all of the Group's revenue was generated from Hong Kong and was denominated in Hong Kong dollars.

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by business segments:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Vessel chartering and related services	137,067	92.4	162,644	85.4	187,792	88.1	100,040	89.0	78,759	86.0
Ship management	11,306	7.6	27,748	14.6	25,256	11.9	12,377	11.0	12,781	14.0
Total	148,373	100.0	190,392	100.0	213,048	100.0	112,417	100.0	91,540	100.0

Vessel chartering and related services

During the Track Record Period, the Group provided vessel chartering and related services in Hong Kong. The following table sets forth a breakdown of the Group's revenue attributable to the vessel chartering and related services segment during the Track Record Period by categories:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Time charter services	114,896	83.8	126,648	77.9	160,131	85.3	83,935	83.9	65,886	83.7
Voyage charter services	13,705	10.0	20,716	12.7	12,110	6.4	6,663	6.7	3,519	4.5
Other related services	8,466	6.2	15,280	9.4	15,551	8.3	9,442	9.4	9,354	11.8
Total	137,067	100.0	162,644	100.0	187,792	100.0	100,040	100.0	78,759	100.0

Time charter

Time charter refers to the hiring of vessel and crew for a specific period of time on a monthly, daily or hourly basis. For a typical time charter, the Group is responsible for the provision of vessel with valid operating licence, qualified crew members for operation, and the required repair and maintenance; while its customer is responsible for the provision of fuel and itinerary.

During the Track Record Period, the Group provided time charter services mainly to contractors of marine-related infrastructure projects in Hong Kong, such as the HZMB Project and the 3RS Project. Major types of vessels provided by the Group under its time charter services include (i) tugs, which maneuver other vessels, in particular non-self propelled vessels, between the typhoon shelter, the project site and other work locations specified by the customers; (ii) launches, which provide transportation services for workers between the land and the sea-based project site; and (iii) other vessels, such as dumb lighters and work boats, to carry out various types of marine construction works.

Voyage charter

Voyage charter refers to the hiring of vessel and crew for a specific voyage between two designated locations. For a typical voyage charter, the Group is responsible for the provision of vessel with valid operating licence, qualified crew members for operation and fuel.

During the Track Record Period, the Group provided voyage charter services to construction companies for the provision of transportation services and logistics companies for maritime logistic services of building materials.

Other related services

During the Track Record Period, the Group also provided other maritime related services, such as (i) provision of crew members; (ii) maritime consultation services such as provision of (a) vessel navigation services and (b) assistance services in berthing of vessels; (iii) vessel repair and maintenance services; and (iv) provision of vessel design and modification services.

Ship management

During the Track Record Period, the Group provided ship management services for two purpose built container vessels, both of which operate 24 hours a day to transport the dewatered sludge from Stonecutters Island and other designated sites to the sludge treatment facilities located at Nim Wan, Tuen Mun. The Group is responsible for the daily operation and the repair and maintenance services.

VESSEL FLEET OF THE GROUP

Composition of the Group's vessel fleet

The Group's vessel fleet comprises various types of vessels, such as tugs, launches, work boats, dumb lighters, etc. The following table illustrates the description and functions of each type of vessels in the Group's vessel fleet:

Vessel type	Description and functions
Tug	Tug, also commonly known as towboat, is a type of vessel that maneuvers other vessels by pushing or pulling them either by direct contact or by means of a tow line.
Launch	Launch is a type of vessel that provides transportation services for passengers from point-to-point.
Work boat	Work boat is a type of vessel used in the following occasions: (i) towing special purpose vessels for reclamation works; (ii) assisting container vessels in mooring process; (iii) collecting water samples for testing; and (iv) removing of marine waste from local waters. A work boat registered in Hong Kong has a maximum allowance of four crew members on board.
Dumb lighter	Dumb lighter is a type of flat-bottomed barge used to transport goods, containers or materials to and from moored vessels. It is an unpowered vessel and is towed or pushed by tugs. In Hong Kong, dumb lighter is widely used in cargo logistics and taking part in various marine construction works.
Landing pontoon	Landing pontoon is a mooring facility with floating structure used for the mooring of vessels or to assist in the embarkation or disembarkation to or from vessels.
Dry cargo vessel	Dry cargo vessel is a type of vessel designed to load unpackaged bulk cargo, which mainly used to transport coal, ore, grain, cement and other bulk dry goods.
Multi-purposes vessel	Multi-purposes vessel is mainly used in providing passenger transportation services. The design of such vessel can be tailored according to various chartering purposes, such as transportation of workers and equipment for marine construction works as well as carriage of goods within local waters. A multi-purposes vessel registered in Hong Kong generally has a capacity ranging from 12 to 60 passengers.

The following table illustrates some of the Group's self-owned vessels:

Tugs

Yun Lee

Yun Shing 18

Launches

Aqua 26

Aqua 3

Work boats

YLM-01

Yun Kee

Landing pontoon

Yun Tak

Dry cargo vessel

Lik Wai (力威)

As at the Latest Practicable Date, the Group's vessel fleet comprised of 21 self-owned vessels and 39 chartered vessels, details of which are shown as below:

	Self-owned vessels					Chartered vessels				
	No. of vessels	Average age[Note 1]	Average remaining accounting useful life[Note 2]	Gross tonnage range	Gross tonnage average	No. of vessels	Gross tonnage range	Gross tonnage average	Approximate monthly chartering fee during the Track Record Period[Note 3] Minimum	Approximate monthly chartering fee during the Track Record Period[Note 3] Maximum
		(years)	*(years)*	*(tonnes)*	*(tonnes)*		*(tonnes)*	*(tonnes)*	*(HK$)*	*(HK$)*
Type of vessels										
Tug	10	20.5	10.2	77.91 - 172.00	132.61	2	101.83 - 145.00	123.42	135,200	477,500
Launch	7	19.1	14.7	26.00 - 67.70	42.85	24	36.04 - 68.15	50.14	63,600	342,000
Work boat	2	4.0	15.5	2.00 - 47.00	24.50	4	8.00 - 35.15	20.69	80,000	455,700
Dumb lighter	—	N/A	N/A	N/A	N/A	3	1,435.00 - 2,226.00	1,920.00	109,700	681,500
Others	2	8.0	15.8	221.34 - 246.00	233.67	6	47.41 - 2,713.61	1,330.74	144,000	380,000
Total	**21**					**39**				

Notes:

1. The age of self-owned vessels is calculated by the date of first registration with the Marine Department up to the Latest Practicable Date. The age of chartered vessels could not be calculated due to lack of sufficient information.

2. The remaining useful life is calculated based on the estimated useful life of the vessels (i.e. 20 years) deducted by their years of service since their respective acquisition date.

3. The minimum and maximum monthly chartering fee during the Track Record Period are calculated based on the actual monthly chartering fee charged by the Group during the Track Record Period, without taking into account the vessel's specification and their service time.

As at the Latest Practicable Date, the Group had 21 self-owned vessels and their average age and average remaining accounting useful life were approximately 17.4 years and 12.7 years, respectively.

As at the Latest Practicable Date, the Group had 39 chartered vessels under time charter, of which one vessel's charter period will expire before the end of December 2019 and the remaining 38 vessels' charter period had no indicated end date as there were no chartering periods specified in the vessel charter agreements entered into between the Group and the vessels' owners of these chartered vessels. Since the actual charter period may vary depending on the project progress of the Group's customers, the Group may extend the vessel charter periods with its customers and request the third-party vessel suppliers to extend the same.

During the Track Record Period, the Group did not experience any termination of its chartered vessels by its vessel suppliers nor any material disruption to the Group's business due to failure of extending the charter periods with the third-party vessel suppliers.

Utilisation rate of the Group's vessel fleet

Due to the nature of the Group's vessel chartering services, it is not feasible nor practicable to accurately quantify the utilisation rates of the Group's vessels. Depending on the demand for each type of charter services and the availability of the Group's vessel fleet, the Group may assign any member of its vessel fleet to provide time charter or voyage charter services. In respect of the Group's time charter services, customers of the Group have the full discretion in deciding the itinerary of the vessels during the charter period. Therefore, the Group's vessels may from time to time be left unused at the customer's discretion during the charter period. Accordingly, the utilisation rate of each individual vessel cannot be accurately determined as it is not practicable for the Group to record the time at which a particular vessel is used or left unused at an active construction site.

For illustration purposes only, based on the number of days that the Group's self-owned vessels were chartered to the customers under time charter per financial year, the Directors estimated that the utilisation rate of the Group's self-owned vessels were approximately 97.8%, 93.7%, 90.7% and 90.2%, respectively, during each of the three years ended 31 March 2018 and the six months ended 30 September 2018. The utilisation rate of the Group's vessel fleet decreased throughout the Track Record Period, which was mainly due to the Group having reserved one of its self-owned vessels for voyage services since June 2016.

In respect of the Group's chartered vessels, the Group generally engages vessel suppliers for the provision of vessels and crew members on an individual basis and the Group may terminate the chartering services provided by its suppliers by giving 14 days of advanced notice, therefore the Directors consider that the Group's chartered vessels were fully utilised during the Track Record Period.

TIME CHARTER SERVICES OF THE GROUP

Top ten projects with highest revenue recognition during the Track Record Period

The following table sets forth the top ten projects that the Group provided time charter services with highest revenue recognition during the Track Record Period in terms of the aggregate revenue recognised:

No.	Name of project	No. of vessels chartered	Status as at 30 September 2018	Approximate revenue recognised and the respective percentage of total revenue recognised — for the year ended 31 March 2016		2017		2018		for the six months ended 30 September 2018		Approximate aggregate revenue recognised during the Track Record Period
		(Note 1)	*(Note 2)*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
1.	HZMB Project — Elevated carriageway between the Hong Kong Boundary Crossing Facilities ("**HKBCF**") and North Lantau Highway	41 vessels in total, including: - 20 dumb lighters - 8 launches - 7 work boats - 6 tugs	On-going	56,485	38.1	64,175	33.7	46,604	21.9	4,138	4.5	171,402
2.	HZMB Project — Section between HKSAR boundary and Scenic Hill	21 vessels in total, including: - 13 launches - 4 tugs - 2 landing pontoons - 1 work boat - 1 dumb lighter	On-going	34,114	23.0	25,415	13.3	9,980	4.7	3,200	3.5	72,709
3.	3RS Project — Deep cement mixing ("**DCM**") works (Work area of 3201)	15 vessels in total, including: - 8 launches - 6 tugs - 1 dry cargo vessel	On-going	—	—	12,594	6.6	36,027	16.9	15,567	17.0	64,188
4.	3RS Project — Main reclamation works 3206	8 vessels in total, including: - 5 tugs - 3 launches	On-going	—	—	1,245	0.7	10,783	5.1	11,182	12.2	23,210
5.	HZMB Project — Artificial island	10 vessels in total, including: - 4 launches - 4 tugs - 2 dumb lighters	Completed	10,406	7.0	7,775	4.1	1,925	0.9	—	—	20,106
6.	3RS Project — DCM works (Work area of 3202)	6 vessels in total, including: - 4 launches - 2 tugs	On-going	—	—	1,836	1.0	10,948	5.1	5,237	5.7	18,021
7.	3RS Project — DCM works (Work area of 3203)	6 vessels in total, including: - 4 tugs - 2 launches	On-going	—	—	5,451	2.9	9,754	4.6	1,877	2.1	17,082

No.	Name of project	No. of vessels chartered	Status as at 30 September 2018	Approximate revenue recognised and the respective percentage of total revenue recognised — for the year ended 31 March — 2016		2017		2018		for the six months ended 30 September 2018		Approximate aggregate revenue recognised during the Track Record Period
		(Note 1)	*(Note 2)*	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*
8.	3RS Project — DCM works (Work area of 3205)	5 vessels in total, including: - 3 launches - 1 work boat - 1 dry cargo vessel	On-going	—	—	39	0.0	5,933	2.8	4,834	5.3	10,806
9.	Management of the sediment disposal facility to the East of Sha Chau	3 vessels in total, including: - 1 launch - 1 work boat - 1 multi-purposes vessel	On-going	—	—	163	0.1	3,992	1.9	2,807	3.1	6,962
10.	Sheung Sha Chau — Aviation fuel pipeline diversion works	5 vessels in total, including: - 4 launches - 1 tug	On-going	—	—	—	—	5,644	2.6	1,025	1.1	6,669
Total				101,005	68.1	118,693	62.4	141,590	66.5	49,867	54.5	411,155

Notes:

1. Being the maximum number of vessels chartered during the charter period.
2. The status as at 30 September 2018 refers to whether the Group had completed or was still providing its vessel chartering services for the construction contractor(s) of such project.

During the Track Record Period, approximately HK$268.5 million and HK$134.9 million of the Group's revenue were attributable to the HZMB Project and the 3RS Project, respectively. The HZMB Project had been substantially completed during the six months ended 30 September 2018 and it is expected that the vessel chartering services rendered by the Group for the 3RS Project will be completed in 2023. During the Track Record Period, depending on the price negotiations between the Group and its customers at the time, the Group provided time charter services to the customers who are the contractors of HZMB Project with annual gross profit margin contributed ranged from approximately 17.1% to approximately 19.9% and gross profit margin of approximately 16.7% for the six months ended 30 September 2018, while to the customers who are the contractors of the 3RS Project with annual gross profit margin contributed ranged from approximately 26.0% to approximately 27.7% and gross profit margin of approximately 33.1% for the six months ended 30 September 2018. The Directors expect that there will be no material adverse financial impact to the Group after the completion of HZMB Project as the Group has gradually re-allocated its vessel fleet from the HZMB Project to support the 3RS Project which is expected to be completed in 2023. As at the Latest Practicable Date, the Group had chartered 22 vessels to the 3RS Project.

Top ten on-going projects as at 30 September 2018

As at 30 September 2018, the Group had 49 vessels that were chartered to its customers under time charter. The following table sets forth the top ten on-going projects that the Group had been providing time charter services for as at 30 September 2018 in terms of number of vessels chartered:

No.	**Name of project**	**Expected charter period end**	**Approximate aggregate chartering fee**	**No. of vessels chartered as at 30 September 2018**	**Approximate average monthly time chartering fee per vessel**	**Approximate estimated revenue to be recognised for the six months ending 31 March 2019**
		(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
			HK$		*HK$*	*HK$*
1.	3RS Project — Main reclamation works	November 2020	37.0 million	10 vessels in total, including: - 4 tugs - 3 launches - 2 work boats - 1 multi-purposes vessel	283,000	10.2 million
2.	3RS Project — DCM works (Work area of 3201)	April 2019	24.3 million	8 vessels in total, including: - 6 launches - 2 tugs	205,000	9.8 million
3.	Management of the sediment disposal facility to the East of Sha Chau	March 2021	17.8 million	3 vessels in total, including: - 2 launches - 1 work boat	150,000	2.7 million
4.	3RS Project — DCM works (Work area of 3205)	May 2019	15.9 million	5 vessels in total, including: - 3 launches - 1 work boat - 1 dry cargo vessel	172,000	5.2 million

No.	Name of project	Expected charter period end (*Note 1*)	Approximate aggregate chartering fee (*Note 2*) *HK$*	No. of vessels chartered as at 30 September 2018	Approximate average monthly time chartering fee per vessel (*Note 3*) *HK$*	Approximate estimated revenue to be recognised for the six months ending 31 March 2019 (*Note 4*) *HK$*
5.	3RS Project — DCM works (Work area of 3203)	January 2019	11.2 million	1 tug	320,000	1.3 million
6.	3RS Project — DCM works (Work area of 3202)	November 2018	9.3 million	3 launches in total	168,000	0.9 million
7.	Integrated Waste Management Facilities Phase 1	March 2019	9.0 million	4 launches in total	130,000	3.1 million
8.	HZMB Project — Station between HKSAR boundary and Scenic Hill	March 2019	3.2 million	2 launches in total	124,000	1.5 million
9.	Tung Chung New Town Extension — Reclamation and advance works	July 2019	3.1 million	4 vessels in total, including: - 2 launches - 1 work boat - 1 landing pontoon	84,000	1.5 million
10.	HZMB Project — Elevated carriageway between the HKBCF and North Lantau Highway	March 2019	2.0 million	3 vessels in total, including: - 1 work boat - 1 launch - 1 tug	107,000	1.2 million

Notes:

1. The Group provides time charter services to one or more customer(s) which are construction contractor(s) for each of the above on-going projects. The expected charter period end refers to the original end of the charter period(s) as stated in the existing awarded contract(s) or work order(s) issued by the relevant customer(s) or the expected end of the charter period determined pursuant to the discussion between the Group and the relevant customers based on the progress of the relevant projects. The actual charter period end may vary subject to the progress of the relevant projects.
2. The aggregate chartering fee is derived by multiplying the expected charter period by the monthly chartering fee, which are stated in respective existing awarded contract(s) or work order(s) as at 30 September 2018.
3. Being the total monthly chartering fees for the month ended 30 September 2018 divided by the total number of vessels involved for such project, rounded to the nearest thousand.
4. The estimated revenue to be recognised subsequent to the Track Record Period is estimated with reference to the existing contract(s) or work order(s) awarded to the Group as at 30 September 2018 based on the agreed charter period and the monthly chartering fee, without taking into account the subsequent changes in chartering fees and number of vessels chartered due to the contracts/work orders renewal from time to time.

The Directors expect that the revenue to be recognised for the six months ending 31 March 2019 from all the time charter contracts/work orders on hand secured by the Group as at 30 September 2018, without taking into account the subsequent changes in chartering fees and number of vessels chartered due to the contracts/work orders renewal from time to time, amounted to approximately HK$43.3 million.

Time charter contracts/work orders newly secured after the Track Record Period

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group secured a number of new time charter contracts/work orders for chartering vessels to the Group's existing customers. The following table sets forth the details of the newly secured time charter contracts/work orders with aggregate chartering fee over HK$1 million as at the Latest Practicable Date:

Name of project	Chartering period	Approximate aggregate chartering fee	No. of vessels chartered as at the Latest Practicable Date	Approximate average monthly time chartering fee per vessel	Approximate estimated revenue to be recognised for the six months ending 31 March 2019
		HK$		*HK$*	*HK$*
3RS Project — DCM works (Work area of 3205)	November 2018 to April 2019 (Note)	1.8 million	1 dry cargo vessel	351,000	1.4 million
3RS Project — Main reclamation works	December 2018 to December 2019	1.9 million	1 work boat	156,000	468,000
Cross Bay Link - Tseung Kwan O	December 2018 to December 2019	1.4 million	1 launch	115,000	345,000
	December 2018 to December 2019	1.8 million	1 tug	148,000	443,000
Tung Chung New Town Extension — Reclamation and advance works	December 2018 to January 2020	2.4 million	1 launch	187,000	748,000
	December 2018 to January 2020	11.6 million	4 vessels in total, including 3 dumb lighters and 1 special purpose vessel	243,000	2.9 million
	December 2018 to December 2020	6.1 million	1 tug	253,000	759,000
	December 2018 to December 2019	3.6 million	1 tug	299,000	897,000
Hire of Hi-Speed motor launch services	December 2018 to November 2019	2.2 million	1 launch	187,000	748,000

Note: The chartering period is not explicitly stated in the work order. The Directors expect that the chartering period for this order will be approximately five months according to the negotiation between the management of the Group and the customer.

The Directors expect that the revenue to be recognised for the six months ending 31 March 2019 from all the time charter contracts/work orders newly secured by the Group as at the Latest Practicable Date, without taking into account the subsequent changes in chartering fees and number of vessels chartered due to the contracts/work orders renewal from time to time, amounted to approximately HK$11.5 million.

SHIP MANAGEMENT SERVICES OF THE GROUP

As at 30 September 2018, the Group had only entered into one legally binding ship management contract for two purpose built container vessels. The contract was awarded to MKK Marine in October 2015, it has an operation period of 10 years with an estimated end date of service term being March 2025 and an extension option for five years until March 2030. The scope of services of the Group includes (i) operation services; and (ii) repair and maintenance works. The total contract sum is estimated to be approximately HK$330.0 million, as calculated by the predetermined monthly charging rate and the operation period of 15 years without taking into account price adjustment in the monthly payment, of which approximately HK$77.1 million has been recognised as the Group's revenue during the Track Record Period.

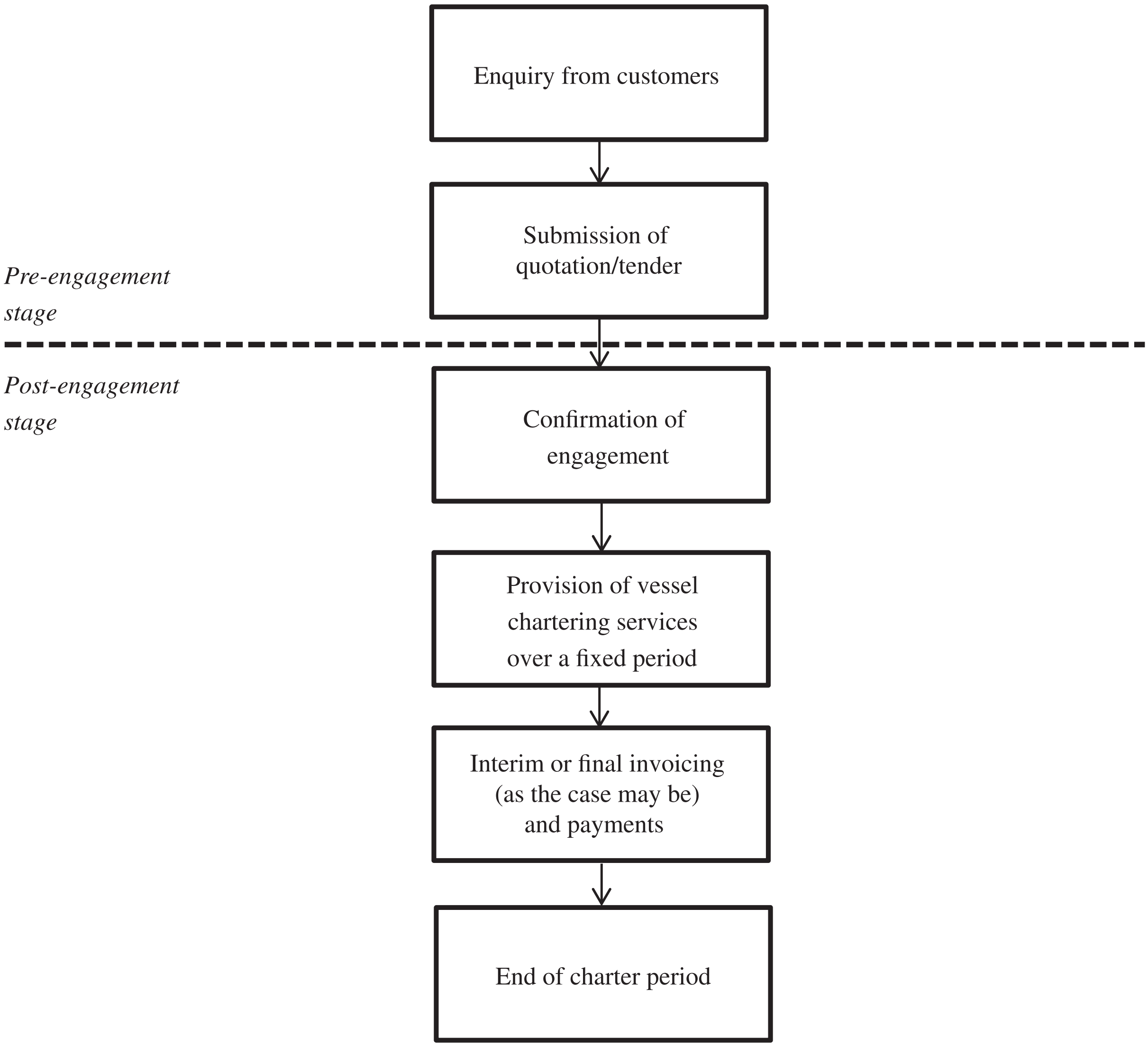
In respect of the operation services, the Group is responsible for the operation of the vessels, including the provision of crew, insurances and plant required. As at 30 September 2018, the two vessels had 16 and 16 crew members, respectively, which were all employed and managed by the Group. Regarding the repair and maintenance services, the Group is responsible for the repair and maintenance, refurbishing and housekeeping of the vessels and the arrangement of regular surveys of the vessels by qualified personnel. The Group is also responsible for ensuring the vessels are up to the standard as required by the Marine Department and maintaining valid Hong Kong local operating licences.

OPERATING PROCEDURES

Vessel chartering

Time charter services

The following chart illustrates the typical operational process of the Group's time charter services:



Pre-engagement stage

The Group is generally invited by its potential customers to provide quotation or submit a tender for its time charter services. Potential customers will provide certain information such as number and type of vessel(s) required, estimated charter period, and commencement date, etc., and request the Group to provide quotations accordingly.

A typical quotation/tender submitted by the Group will include, without limitation, (i) number and type of vessel(s) to be chartered; (ii) specification and name of each vessel; (iii) charter period with estimated commencement date (if any); (iv) service time per day; (v) price and breakdown of charter rates; (vi) overtime charges; (vii) payment terms; and (viii) termination arrangements.

The Group determines the price of its time charter services on an individual basis. For further details, please refer to the sub-section headed "Customers — Pricing strategy" in this section. Upon receipt of the Group's quotation/tender, the potential customer may further negotiate the price and terms with the Group.

Post-engagement stage

In case of the quotation submitted by the Group, depending on the preference of the potential customer, it may either (i) enter into a charterparty with the Group; (ii) co-sign on the Group's quotation; or (iii) issue a work order to confirm the engagement. In case of the tender submitted by the Group, the potential customer generally confirms the engagement by issuing a letter of acceptance to the Group, which will form part of the contract. In the event that third-party vessel(s) and/or labour are required, the Group will enter into contracts with third-party vessel suppliers and/or subcontractors.

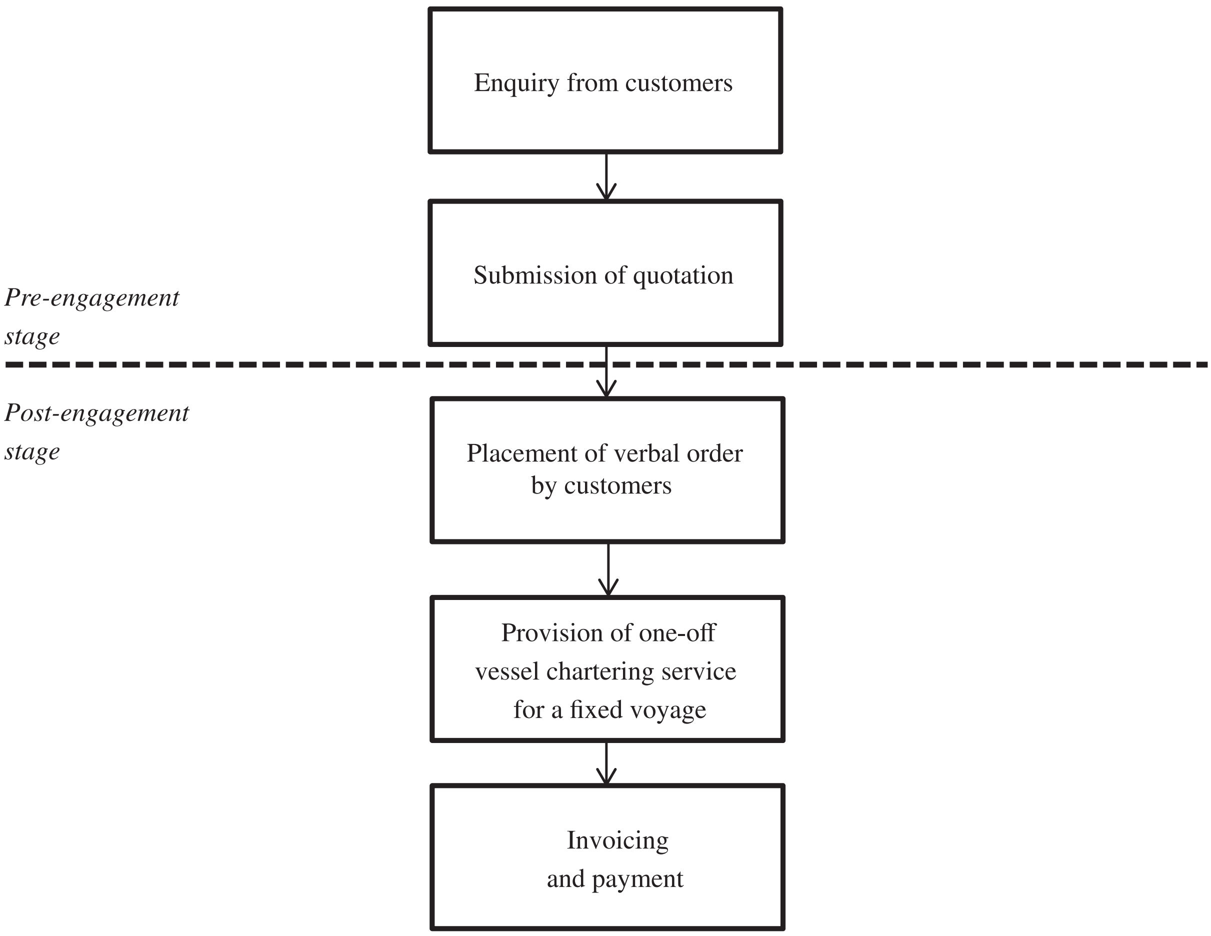
In respect of time charter services, the Group is responsible for providing vessel with labour to operate and manage the vessels. Either customers or the Group will notify each other the actual commencement date in advance. During the charter period, customers will generally bear the expenses for fuel and port charges (if any), and direct the destination of the vessels. During the Track Record Period, charter period of the Group's time charter services ranges from one day to one year. Throughout the charter period, the Group is responsible for the operation and management of the vessels. If the vessel is out of service, the Group is responsible for arranging a replacement with similar specifications and shall notify the customer as soon as practicable.

During the charter period, the Group will issue interim invoices, usually on a monthly basis, to the customer. For time charter engagements with relatively short charter period, i.e. less than one month, the Group will issue a final invoice at the end of the charter period instead of interim invoices. Customers of the Group are required to settle the invoices as per the credit period set out in the charterparty/co-signed quotation or contract. For further details, please refer to the sub-section headed "Customers — Salient terms of the Group's contracts" in this section.

Depending on the progress of the project, customers of the Group may terminate the charterparty earlier than the original end of charter period or extend the charter period. If the customer wishes to terminate the charterparty, it is generally required to notify the Group at least two weeks in advance, in accordance with the relevant clause for early termination as set out in the charterparty, work order or co-signed quotation. For extension of charter period, customers of the Group may verbally inform the Group in advance or issue a supplemental work order and the Group may inform the third-party vessel suppliers to extend the charter period if necessary. The Group will also notify the customer if there is any price adjustment for the time charter services for the extended charter period. If the vessels are found to be damaged except for normal wear and tear, the Group will charge the customer the cost of repair.

Voyage charter services

The following chart illustrates the typical operational process of the Group's voyage charter services:



Pre-engagement stage

Similar to the Group's time charter services, customers which require voyage charter services generally will approach the Group via telephone or email to request for a quotation. In order to prepare a quotation for voyage charter services, the Group will obtain certain information from the potential customers, such as the number and type of vessel(s) required, the voyage details and the service date.

A typical voyage charter quotation will set out the chartering fee per voyage for each type of vessels with different specification, payment terms, overtime charges for waiting and additional charges when typhoon signal is hoisted. In respect of the Group's voyage charter services, fuel will be provided by the Group. Upon special request by the customer, the Group may provide a quotation with validity of one year, during which the customer may place individual work order in accordance with the price as set out in such quotation. The Group determines the price of its voyage charter services on an individual basis. For further details, please refer to the sub-section headed "Customers — Pricing strategy" in this section.

Post-engagement stage

Potential customers will usually confirm the engagement by issuing work order or placing order by telephone when the voyage charter services are required.

Upon receipt of the work order, the Group will arrange the vessel, including crew members for operation, to arrive at the designated location as instructed by the customer. Then the crew members will follow the instructions of the customer to carry out the voyage charter services. The voyage charter services will end upon the arrival of the vessel at the destination.

In respect of voyage charter services, the Group will generally issue invoices to its customers on a monthly basis, where the invoices shall sum up all orders or orders per vessel placed by the customer during such month. For one-off voyage charter order, the Group will issue the invoice after completion of services. Customers of the Group are required to settle the invoices as per the credit period set out in the quotation. For further details, please refer to the sub-section headed "Customers — Salient terms of the Group's contracts" in this section.

Quotations submitted during the Track Record Period

During the Track Record Period, the Group mainly conducted vessel chartering business by submitting quotations to its customers. To the lesser extent, the Group submits tenders to certain customers, mainly the Government departments, for its vessel chartering services. For each of the three years ended 31 March 2018 and six months ended 30 September 2018, the Group submitted four, three, nine and four tenders, respectively, to potential customers, of which one, three, two and nil contract(s), respectively, were successfully awarded to the Group.

The following table summarises the Group's overall quotation success rate during the Track Record Period:

	Year ended 31 March			Six months ended 30 September
	2016	2017	2018	2018
Number of quotations submitted	134	137	180	94
Number of quotations awarded	96	77	83	29
Quotation success rate (%)	71.6	56.2	46.1	30.9

Note: Quotation success rate is calculated by dividing the number of quotations awarded during the year/period by the number of quotations submitted for the same year/period.

As confirmed by the Directors, the Group may, from time to time, respond to the customers' invitations by submitting quotations, after considerng and checking the vessel availability for relevant service time including both self-owned vessels and charted vessels, irrespective of the likelihood of being awarded the contracts. By responding to customers' invitations, the Directors believe that the Group could (i) maintain the relationships with its existing customers and potential customers; (ii) strengthen the Group's presence in the local vessel chartering industry; and (iii) demonstrate its active participation in the market to potential customers. Subject to the availability of the Group's vessels fleet at the time, including both self-owned vessels and chartered vessels, the Group may not always offer a competitive price to the customers which in turn affects the Group's quotation success rate in obtaining vessel chartering contracts or work orders.

Ship management

During the Track Record Period and up to the Latest Practicable Date, the Group only entered into one ship management contract in respect of two purpose built container vessels in Hong Kong. The following chart illustrates the principal steps of the operational process of the Group's ship management services:

Pre-engagement stage

The Group generally receives an invitation from potential customer to submit a tender for ship management services. The tender invitation normally contains certain information, such as, the specifications of the ships to be managed, scope of services required, service terms and the commencement date etc. While evaluating the tender invitation, management of the Group will take into account various factors, including without limitation, (i) specifications and size of the ships to be managed; (ii) labour required for the management, including both crew members and supporting staff; (iii) the service terms and commencement date; (iv) budget costs of chartered vessels (if any); and (v) credibility of the potential customer. For the vessels managed by the Group, its customer will provide the fuel.

A typical tender submitted by the Group will set out, without limitation, (i) background information of the tendering subsidiary, such as the business registration and audited financial statements; (ii) the scope of services; (iii) operation and maintenance plans; and (iv) breakdown of price of the services. The Group may be required to provide a performance bond in regard to its services. Upon receipt of the tender submission made by the Group, the customer may conduct tender interview and issue tender enquiries via email to further negotiate the terms and price with the Group.

Post-engagement stage

Award of contract is generally confirmed by way of a letter of intent issued by the Group's customer. The Group will then enter into a formal contract with its customer at a later stage. The Group's scope of services covers both daily operation and repair and maintenance of the ships. Prior to the commencement of the ship management services, the Group has to submit a list of relevant vessel operating licences of the crew members to be involved in the daily operation, if applicable. The Group is also responsible for arranging safety training for the crew members and conducting written tests from time to time. The crew members will operate the ships according to the voyage plan and schedule instructed by the customer. The Group has to maintain a logbook per vessel to record its day-to-day management, operation and navigation.

The Group is required to conduct regular meetings with its customer to report its operations and to discuss the issues of the ships, if any. The customer also requires the Group to submit a monthly report that sets out, without limitation, the fuel consumption and clearing record for the month. In the event that any of the ships requires regular maintenance or ad-hoc repair services, the Group will inform the customer the timetable and arrangements for the repair and maintenance. The Group is responsible for all of the repair and maintenance costs, unless covered by insurance, and it has to submit a report to the customer upon completion of the repair and maintenance. Moreover, the Group is also responsible for the renewal of the operating licences of the ships. The Group will procure qualified Independent Third Party to inspect the ships and issue a report according to the requirements of the Marine Department.

During the service period, the Group issues monthly invoices to the customer and the customer is required to settle the invoices as per the credit period set out in the formal contract. For further details, please refer to the sub-section headed "Customers — Salient terms of the Group's contracts" in this section. At the end of the service period, the Group hands over the vessels to the customer according to the arrangements as set out in the contract.

CUSTOMERS

Characteristics of the Group's customers

During the Track Record Period, the Group's customers mainly included (i) contractors in Hong Kong; (ii) Government departments; and (iii) vessel chartering services providers. During the Track Record Period, all of the Group's customers were located in Hong Kong and all of the Group's revenue was denominated in Hong Kong dollars.

Major customers

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the total revenue attributable to the largest customer amounted to approximately 43.2%, 40.8%, 27.9% and 26.3% of the Group's total revenue, respectively, while the total revenue attributable to the five largest customers, in aggregate, amounted to approximately 80.7%, 80.2%, 68.2% and 64.6% of the Group's total revenue, respectively.

Set out below is a breakdown of the Group's revenue attributable to the Group's top five customers during the Track Record Period:

For the year ended 31 March 2016

	Revenue for the year *HK$'000*	**Approximate % of the Group's total revenue for the year**
Customer A	64,115	43.2
Customer B	21,930	14.8
Customer C	15,480	10.4
Customer D	11,304	7.6
Customer E	6,909	4.7
Five largest customers in aggregate	119,738	80.7
All other customers	28,635	19.3
Total revenue	148,373	100.0

For the year ended 31 March 2017

	Revenue for the year *HK$'000*	Approximate % of the Group's total revenue for the year
Customer A	77,670	40.8
Customer D	27,748	14.6
Customer B	22,360	11.7
Customer C	12,775	6.7
Customer F	12,182	6.4
Five largest customers in aggregate	152,735	80.2
All other customers	37,657	19.8
Total revenue	190,392	100.0

For the year ended 31 March 2018

	Revenue for the year *HK$'000*	Approximate % of the Group's total revenue for the year
Customer A	59,478	27.9
Customer F	29,945	14.1
Customer D	25,086	11.8
Customer C	19,524	9.2
Customer G	11,054	5.2
Five largest customers in aggregate	145,087	68.2
All other customers	67,961	31.8
Total revenue	213,048	100.0

For the six months ended 30 September 2018

	Revenue for the period *HK$'000*	Approximate % of the Group's total revenue for the period
Customer C	24,038	26.3
Customer D	12,781	14.0
Customer F	11,608	12.7
Customer A	5,420	5.9
Customer G	5,263	5.7
Five largest customers in aggregate	59,110	64.6
All other customers	32,430	35.4
Total revenue	91,540	100.0

The table below sets forth the background information of the Group's top five customers during the Track Record Period:

Customers	**Services purchased from the Group**[(Notes)]	**Years of business relationship (approximately)**	**Typical credit terms and payment method (approximately)**
Customer A	(i), (ii) and (iii)	9 years	14 days after the customer receives payment (including a sum relating to the sub-contract work provided by the Group) from its employer, by bank transfer
Customer B	(i), (ii) and (iii)	5 years	45 days by cheque
Customer C	(i) and (ii)	8 years	40-45 days by cheque
Customer D	(iv)	2 years	56 days by cheque
Customer E	(i) and (iii)	4 years	30 days by cheque

Customers	Services purchased from the Group(Notes)	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Customer F	(i), (ii) and (iii)	3 years	30 days by cheque
Customer G	(i) and (iii)	1 year	45 days after date of invoice, by bank transfer

Notes:

(i) Time charter services

(ii) Voyage charter services

(iii) Other related services

(iv) Ship management services

Customer A is a company incorporated in Hong Kong engaging in the civil engineering and construction business.

Customer B is a joint operation formed by (i) two subsidiaries of a global construction company listed on the Euronext Paris, the listed parent company of which recorded a revenue of approximately EUR11.7 billion for the year ended 31 December 2017; and (ii) a wholly-owned subsidiary of Customer C.

Customer C comprises of several subsidiaries of a PRC-based company engaging in infrastructure construction, and is dually-listed on the Stock Exchange and the Shanghai Stock Exchange. Its listed parent company recorded a revenue of approximately RMB460.1 billion for the year ended 31 December 2017.

Customer D is a joint operation formed by (i) a subsidiary of an international waste management company dually-listed on the Euronext Paris and Brussels, the listed parent company of which recorded a revenue of approximately EUR15.9 billion for the year ended 31 December 2017; and (ii) an engineering company in Hong Kong.

Customer E is a company incorporated in Hong Kong. It is a registered subcontractor under the trade speciality of marine works with the Construction Industry Council.

Customer F is a company incorporated in Hong Kong engaged in civil engineering works. It is a registered subcontractor under the trade specialties of driven piles, timber formwork, concreting and marine works with the Construction Industry Council.

Customer G is a joint operation formed by (i) a company listed on the Korea Exchange, the principal business of which includes construction, civil engineering, plant building, landscaping, etc.; and (ii) a subsidiary of a construction and civil engineering company listed on the Stock Exchange.

All of the Group's top five customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any direct or indirect interest in any of the Group's five largest customers during the Track Record Period.

Customer concentration

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, approximately 80.7%, 80.2%, 68.2% and 64.6% of the Group's total revenue was attributable to the Group's five largest customers, respectively. In particular, the Group's largest customer, Customer A, accounted for approximately 43.2%, 40.8%, 27.9% and 5.9% of the Group's total revenue for the corresponding year/period, respectively. For the customer concentration risk, please refer to the section headed "Risk factors — The Group's five largest customers, and the HZMB Project and the 3RS Project accounted for a substantial portion of the Group's revenue during the Track Record Period" in this prospectus.

The Directors consider that the significant revenue contribution by its top customers during the Track Record Period was mainly due to the following:

- the HZMB Project, being situated at the waters of Lingdingyang of Pearl River Estuary, requires various types of vessels to carry out different duties during different stages of the construction period. Among the Group's seven major customers during the Track Record Period, Customer A, Customer B and a subsidiary of Customer C are the main contractors of various contracts under the HZMB Project, respectively, which maintained high demand of the Group's vessel chartering services in the past few years;

- apart from engaging the Group to provide vessel chartering services, Customer A, being the largest customer of the Group during each of the three years ended 31 March 2018, also engaged the Group to (i) provide crew members to operate certain vessels for Customer A; and (ii) provide vessel repair and maintenance services; and

- the Group has established business relationship with Customer A, Customer B and Customer C ranging from five to nine years. The Directors believe that, throughout these years, the Group has accumulated an in-depth understanding of their requirements and is capable of accommodating their requests, therefore the Group has been engaged by these customers recurrently during the Track Record Period.

Having said that, the Directors consider that the Group's business is sustainable and does not rely on any single customer due to the following reasons:

- considering the nature of the civil engineering industry in Hong Kong, the Group's customer base, which mainly comprising sizeable contractors, is relatively concentrated. According to the Ipsos Report, it is not uncommon for subcontractors in the construction industry to record significant revenue from a few customers;

- among the top ten projects with highest revenue recognition during the Track Record Period, four of which were related to the HZMB Project and five of which were related to the 3RS Project, while among the top ten on-going projects as at 30 September 2018, since the HZMB Project had been substantially completed during the six months ended 30 September 2018, only two were related to the HZMB Project and the number of projects related to the 3RS Project remained as five. The Directors consider that each contract under these major infrastructure projects in Hong Kong has a different contractor, therefore, the Group would not rely on any single customer;

- regardless of vessel chartering services or ship management services, the Group has to submit quotation or tender to its customers and go through tendering processes. The work order or contract is generally placed by or entered into with the Group's customers on an individual basis; and

- the Group has been making continuous efforts to diversify its scope of services and expand its customer base . In particular, the Group secured a ship management contract with a total contract sum estimated to be approximately HK$330.0 million from Customer D, who was a new customer during the Track Record Period.

Salient terms of the Group's contracts

Vessel chartering

In respect of the Group's vessel chartering services, customers generally engage the Group on an individual basis by entering into contracts with the Group or placing work orders to the Group. The salient terms of the Group's typical vessel chartering contracts, which are legally binding, are set out below:

Salient terms	**Time charter**	**Voyage charter**
Scope of services:	Provision of vessel, including crew members, for a specific period of time.	Provision of vessel, including crew members and fuel, for a specific voyage.
Charter period:	A charter period is specified in the contract.	Not applicable.
Service time:	Daily service time per day of the Group's vessels will be specified.	Depends on the voyage.
Chartering fee:	Chartering fee is calculated on an hourly, daily or monthly basis, excluding overtime charges for operation outside the prescribed service time.	Fixed chartering fee per voyage, excluding overtime charges incurred during waiting.
Fuel:	Customers of the Group provide the fuel.	The Group provides the fuel.
Insurance:	The Group or its supplier is responsible for maintaining third party risks insurance for their vessels and the employees' compensation insurance for their employees. For vessels that operate within construction sites, customers of the Group is responsible for the contractors all risk insurance for the corresponding projects.	The Group or its supplier is responsible for maintaining third party risks insurance for their vessels and the employees' compensation insurance for their employees.
Termination:	Customers may terminate the time charter services by giving two weeks of advanced notice to the Group.	Not applicable.

In respect of the Group's ship management services, as at 30 September 2018, the Group had only entered into one ship management contract for two purpose built container vessels, which are legally binding, the salient terms of which are set out below:

Ship management

Salient terms	**Description**
Scope of services:	Overall ship management, including (i) daily operations; and (ii) repair and maintenance for two purpose built container vessels.
Operation period:	An operation period of 10 years with an extension option for five additional years.
Contract sum:	The total contract sum is estimated to be approximately HK$330.0 million. The estimated contract sum is calculated by (i) the predetermined monthly charging rate as set out in the ship management contract combined with (ii) the operation period of 15 years, without taking into account price adjustment in monthly payment. The charging rates for the two ship management contracts are predetermined and charged on a monthly basis, 85% of which shall be adjusted by the Consumer Price Index (B) published by the Census and Statistics Department of the Government every month ("**CPI (B)**") and the other 15% is not required to subject to this adjustment.
Insurance:	Customer, being the owner of the vessels, and the Group, being the operator, jointly maintain third party risks insurance for the vessels. The Group is responsible for the employees' compensation insurance for the crew members.
Performance bond:	The Group is required to provide a performance bond of HK$10.0 million for the operation period.
Guarantees:	Each of Yun Lee Marine and KEE Marine provided a company guarantee to the customer for the due and proper performance by MKK Marine of each and every obligation of MKK Marine arising under the contract.
Subcontracting:	Subcontracting is not allowed under the contract.
Fuel:	Customer will provide the fuel.
Termination:	Customer may terminate the contract by giving three months of written notice to the Group.

Pricing strategy

The Group generally determines the price of its services on a cost-plus basis. The pricing will be evaluated on an individual basis depending on various factors.

When determining the price of the Group's time charter services, management of the Group will take into account various factors, including without limitation, (i) number and type of vessel(s) required; (ii) charter period and commencement date; (iii) the availability of the Group's vessel fleet, including both self-owned vessels and chartered vessels; (iv) budget costs of chartered vessels (if any); and (v) credibility of the potential customer. In respect of the Group's voyage charter services, management of the Group will take into account various factors, including without limitation, (i) number and type of vessel(s) required; (ii) details of the voyage; (iii) availability of the Group's vessel fleet, including both self-owned vessels and chartered vessels; (iv) budget costs of chartered vessels (if any); (v) weather conditions; (vi) estimated fuel consumption; and (vii) credibility of the potential customer.

For the ship management services segment, the Group will evaluate the tender invitation and determine the price based on various factors, including without limitation, (i) specifications and size of the ships to be managed; (ii) scope of services and expertise required; (iii) labour required for the management, including both crew members and supporting staff; (iv) the service terms and commencement date; and (v) credibility of the potential customer.

During the Track Record Period, the Group did not experience any material loss-making work order in relation to its vessel chartering services.

Credit policy

In respect of the Group's vessel chartering services, including both time charter and voyage charter, the Group generally issues invoices to its customers on a monthly basis. In respect of the other related services, the Group may issue interim invoices or a final invoice upon completion of the services, as the case may be. For ship management services, the Group is required to issue an invoice every month and list out the monthly operation service fee, which will be adjusted in accordance with the CPI (B), and other expenditure incurred during the month (if any).

During the Track Record Period, all of the Group's customers were located in Hong Kong and all of the Group's revenue was denominated in Hong Kong dollars. Customers of the Group generally settle the payments by cheques and bank transfers. The credit period granted by the Group to its customers ranged from 30 to 60 days. The Group will continuously review and identify any long outstanding trade receivables. For further details on the Group's receivable turnover days, please refer to section headed "Financial information — Discussion of selected consolidated statements of financial position items — Trade and other receivables" in this prospectus.

SUPPLIERS

Characteristics of the Group's suppliers

The Group's suppliers mainly include (i) vessel suppliers; (ii) fuel suppliers; and (iii) repair and maintenance services providers. During the Track Record Period, the majority of the Group's suppliers were located in Hong Kong.

Major vessel suppliers

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's total purchases attributable to the Group's largest vessel supplier amounted to approximately 21.9%, 16.8%, 11.7% and 13.3% of the Group's total vessel chartering costs, respectively, while the Group's total purchases attributable to the Group's five largest vessel suppliers, in aggregate, amounted to approximately 53.7%, 41.3%, 35.1% and 45.3% of the Group's total vessel chartering costs, respectively.

Set out below is a breakdown of the Group's vessel chartering costs attributable to the Group's top five vessel suppliers during the Track Record Period:

For the year ended 31 March 2016

	Vessel chartering costs for the year *HK$'000*	**Approximate % of the Group's total vessel chartering costs for the year**
Supplier A	17,645	21.9
Moon Kee Marine Transportation Co	12,044	14.9
Supplier B	5,440	6.8
Supplier C	4,230	5.2
Eastlink Marine	3,977	4.9
Five largest vessel suppliers in aggregate	43,336	53.7
All other vessel suppliers	37,243	46.3
Total vessel chartering costs	80,579	100.0

For the year ended 31 March 2017

	Vessel chartering costs for the year *HK$'000*	Approximate % of the Group's total vessel chartering costs for the year
Moon Kee Marine Transportation Co	14,734	16.8
Supplier A	9,713	11.1
Supplier D	4,117	4.7
Supplier C	3,863	4.4
Supplier E	3,738	4.3
Five largest vessel suppliers in aggregate	36,165	41.3
All other vessel suppliers	51,454	58.7
Total vessel chartering costs	87,619	100.0

For the year ended 31 March 2018

	Vessel chartering costs for the year *HK$'000*	Approximate % of the Group's total vessel chartering costs for the year
Moon Kee Marine Transportation Co	11,271	11.7
World Sky Shipping Co., Limited	6,585	6.8
Supplier F	6,570	6.8
Supplier G	4,775	5.0
Supplier A	4,621	4.8
Five largest vessel suppliers in aggregate	33,822	35.1
All other vessels suppliers	62,410	64.9
Total vessel chartering costs	96,232	100.0

For the six months ended 30 September 2018

	Vessel chartering costs for the period *HK$'000*	Approximate % of the Group's total vessel chartering costs for the period
Supplier F	4,258	13.3
Supplier G	3,239	10.1
World Sky Shipping Co., Limited	3,105	9.7
Supplier H	1,980	6.2
Eastlink Marine	1,933	6.0
Five largest suppliers in aggregate	14,515	45.3
All other suppliers	17,555	54.7
Total vessel chartering costs	32,070	100.0

The table below sets forth the background information of the Group's top five vessel suppliers during the Track Record Period:

Suppliers	Services purchased by the Group	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Supplier A	Vessel chartering services	8 years	60 days by cheque
Moon Kee Marine Transportation Co	Vessel chartering services	8 years	60 days by cheque
Supplier B	Vessel chartering services	3 years	45 days by cheque
Supplier C	Vessel chartering services	4 years	60 days by cheque
Eastlink Marine	Vessel chartering services	8 years	90 days by cheque
Supplier D	Vessel chartering services	6 years	60 days by cheque
Supplier E	Vessel chartering services	6 years	60 days by cheque
World Sky Shipping Co., Limited	Vessel chartering services	3 years	60 days by cheque
Supplier F	Vessel chartering services	1 year	60 days by cheque
Supplier G	Vessel chartering services	2 years	60 days by cheque
Supplier H	Vessel chartering services	2 years	60 days by cheque

Supplier A is a private company incorporated in Hong Kong providing rental services of yachts, high-speed passenger boats and 24-hour electric boats rental.

Moon Kee Marine Transportation Co is a sole proprietorship incorporated in Hong Kong providing vessel rental services. It is wholly owned by Mr. Lo Ping Kwan, who is a director of Eastlink Marine, an associate of the Company, in which he also holds 30% of its total issued capital as at the Latest Practicable Date.

Supplier B is a private company incorporated in Hong Kong, it is a registered subcontractor under the trade specialties of heavy lifting, metal work, stainless steel work, general electrical installation and deck winching with the Construction Industry Council.

Supplier C is a private company incorporated in Hong Kong providing vessel rental services.

Eastlink Marine is a company incorporated in Hong Kong providing tugs chartering services. It is owned as to 40% by Yun Lee (BVI) as at the Latest Practicable Date and hence an associate of the Company.

Supplier D is a sole proprietorship incorporated in Hong Kong providing transportation services.

Supplier E is a private company incorporated in Hong Kong providing marine transportation services.

World Sky Shipping Co., Limited is a private company incorporated in Hong Kong providing vessel rental services. Mr. Chow, a senior management of the Group, is a director of World Sky Shipping Co., Limited, in which he also holds 10% of its total issued share capital as at the Latest Practicable Date.

Supplier F is a private company incorporated in Hong Kong providing vessel rental services.

Supplier G is a private company incorporated in Hong Kong providing vessel rental services.

Supplier H is a private company incorporated in Hong Kong providing vessel rental services.

Save as disclosed above, all of the Group's top five vessel suppliers during the Track Record Period were Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any direct or indirect interest in any of the Group's five largest vessel suppliers during the Track Record Period. The Directors confirmed that the Company did not experience any shortage or delay in supply of vessels during the Track Record Period.

Salient terms and credit policy of the Group's vessel charter agreements with its vessel suppliers

During the Track Record Period, the Group engaged third-party vessels owners for the provision of vessels and crew members. The Group generally engages the vessel suppliers on an individual basis by entering into legally binding vessel charter agreements. Salient terms of a typical vessel rental agreement are summarised as below:

Scope of services:	Details of the vessel to be provided, including the name and licence number of vessel and number of crew members.
Charter period:	Depending on the negotiation between the Group and its suppliers, the Group's vessel charter agreements usually state an estimated commencement date for each of the chartered vessel and do not have indicated end date whereas some vessel charter agreements specify the charter period.
Service time:	Daily service time of the vessels will be specified.
Chartering costs:	The chartering costs per vessel, usually calculated on a monthly basis.
Insurance:	The vessel supplier shall maintain third party risks insurance for its vessel(s) and employees' compensation insurance for its employees.
Fuel:	The Group or its customer will provide the fuel.
Termination:	The Group may terminate the chartering services by giving 14 days of advance notice to the vessel supplier.

During the Track Record Period, all of the Group's vessel suppliers were located in Hong Kong. The Group's vessel suppliers generally issue invoices on a monthly basis and the credit period granted to the Group is 30 to 60 days. The Group usually settles the payment by cheques or bank transfer. For further details on the Group's payable turnover days, please refer to section headed "Financial information — Discussion of selected consolidated statements of financial position items — Trade and other payables" in this prospectus.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, to the best knowledge and belief of the Directors, there were 15 Customers—Suppliers, consisting of (i) one contractor, a subsidiary of Customer C, one of the five largest customers of the Group during the Track Record Period; and (ii) 14 vessel chartering services providers, five of which were the five largest vessel suppliers of the Group during the Track Record Period, namely Supplier A, Moon Kee Marine Transportation Co., Supplier B, Supplier D and Supplier F.

The table below sets forth the total revenue and total cost of revenue attributable to the Customers—Suppliers during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2016	**2017**	**2018**	**2018**
Number of Customers — Suppliers	9	8	7	7
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales to Customers — Suppliers				
(i) Contractor				
Revenue	3,265	177	—	—
Percentage to the Group's total revenue	2.2%	0.1%	—	—
(ii) Vessel chartering services providers				
Revenue	1,640	1,735	1,437	2,499
Percentage to the Group's total revenue	1.1%	0.9%	0.7%	2.7%
Purchase from Customers — Suppliers				
(i) Contractor				
Purchase	2,950	1,400	—	—
Percentage to the Group's total cost of revenue	2.5%	1.0%	—	—
(ii) Vessel chartering services providers				
Purchase	19,033	29,695	21,298	7,266
Percentage to the Group's total cost of revenue	16.4%	21.2%	14.0%	12.0%

In respect of the Customer—Supplier who is a contractor, it contributed revenue of approximately HK$3.3 million and HK$0.2 million for each of the two years ended 31 March 2017, respectively, while the Group's purchases from it for the corresponding year, representing the chartering fee of two dumb lighters, amounted to approximately HK$3.0 million and HK$1.4 million, respectively. The Directors confirmed that the Group did not own any dumb lighter with similar specifications at the material time and hence the Group engaged this Customer—Supplier to provide time charter services for these two dumb lighters.

During the Track Record Period, a majority of the Group's revenue attributable to the remaining Customers—Suppliers, who are vessel chartering services providers, were chartering fees of ad-hoc voyage chartering services. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the remaining Customers—Suppliers which are vessel chartering services providers, aggregately contributed approximately HK$1.6 million, HK$1.7 million, HK$1.4 million and HK$2.5 million to the Group's total revenue, respectively, while the aggregate vessel chartering costs paid by the Group to them contributed approximately HK$19.0 million, HK$29.7 million, HK$21.3 million and HK$7.3 million of the Group's total cost of revenue, respectively.

The Group negotiates the terms of its sales to and purchases from these 15 Customers—Suppliers on an individual basis, the transactions with these Customers—Suppliers during the Track Record Period were neither inter-conditional nor inter-connected with each other. According to the Ipsos Report, it is a common practice that a local vessel chartering service provider could be a supplier and a customer of another local vessel chartering service provider at the same time as they might require vessels with specific specifications to enrich its own vessel portfolio in order to fulfil quantity requirements for designated projects.

SUBCONTRACTORS

Characteristics of the Group's subcontractors

The Group engages third-party subcontractors to provide labour, such as coxswains, engine operators and other crew members, for the operation of its vessels. During the Track Record Period, the Group's subcontractors were all located in Hong Kong.

Reasons for subcontracting

During the Track Record Period, depending on the availability of the Group's internal resources, the Group occasionally engaged subcontractors to provide qualified and experienced crew members for vessel operation in order to alleviate certain administrative burden, such as the staff recruitment and training process. During the Track Record Period, the Group engaged subcontractors for its vessel chartering services only.

Major subcontractors

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's total subcontracting fees attributable to the Group's largest subcontractor amounted to approximately 16.9%, 19.3%, 21.0% and 24.2% of the Group's total subcontracting fees, respectively, while the Group's total subcontracting fees attributable to the Group's five largest subcontractors, in aggregate, amounted to approximately 82.6%, 71.2%, 71.2% and 82.7% of the Group's total subcontracting fees, respectively.

Set out below is a breakdown of the Group's subcontracting fees attributable to the Group's top five subcontractors during the Track Record Period:

For the year ended 31 March 2016

	Subcontracting fees for the year *HK$'000*	Approximate % of the Group's total subcontracting fees for the year
Subcontractor A	1,231	16.9
Subcontractor B	1,223	16.7
Subcontractor C	1,204	16.4
Subcontractor D	1,201	16.4
Subcontractor E	1,189	16.2
Five largest subcontractors in aggregate	6,048	82.6
All other subcontractors	1,276	17.4
Total subcontracting fees	7,324	100.0

For the year ended 31 March 2017

	Subcontracting fees for the year *HK$'000*	Approximate % of the Group's total subcontracting fees for the year
Subcontractor D	1,943	19.3
Subcontractor A	1,376	13.7
Subcontractor C	1,290	12.8
Subcontractor F	1,278	12.7
Subcontractor E	1,277	12.7
Five largest subcontractors in aggregate	7,164	71.2
All other subcontractors	2,892	28.8
Total subcontracting fees	10,056	100.0

For the year ended 31 March 2018

	Subcontracting fees for the year	Approximate % of the Group's total subcontracting fees for the year
	HK$'000	
Subcontractor G	3,166	21.0
Subcontractor D	2,970	19.7
Subcontractor H	1,604	10.7
Subcontractor I	1,503	10.0
Subcontractor A	1,479	9.8
Five largest subcontractors in aggregate	10,722	71.2
All other subcontractors	4,319	28.8
Total subcontracting fees	15,041	100.0

For the six months ended 30 September 2018

	Subcontracting fees for the period	Approximate % of the Group's total subcontracting fees for the period
	HK$'000	
Subcontractor G	1,547	24.2
Subcontractor D	1,487	23.2
Subcontractor I	773	12.1
Subcontractor F	748	11.7
Subcontractor A	735	11.5
Five largest subcontractors in aggregate	5,290	82.7
All other subcontractors	1,114	17.3
Total subcontracting fees	6,404	100.0

The table below sets forth the background information of the Group's top five subcontractors during the Track Record Period:

Subcontractors	Background and principal business	Services purchased by the Group	Years of business relationship (approximately)	Typical credit terms and payment method (approximately)
Subcontractor A	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	9 years	Paid by the end of each month
Subcontractor B	A private company incorporated in Hong Kong and subsequently dissolved in September 2017, which engaged in the provision of labour for vessel operation.	Labour for vessel operation	9 years	Paid by the end of each month
Subcontractor C	A private company incorporated in Hong Kong which has applied for deregistration on 28 August 2018, which engaged in the provision of labour for vessel operation.	Labour for vessel operation	6 years	Paid by the end of each month
Subcontractor D	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	9 years	Paid by the end of each month
Subcontractor E	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	9 years	Paid by the end of each month
Subcontractor F	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	9 years	Paid by the end of each month
Subcontractor G	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	1 year	Paid by the end of each month
Subcontractor H	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	1 year	Paid by the end of each month
Subcontractor I	A private company incorporated in Hong Kong providing labour for vessel operation.	Labour for vessel operation	1 year	Paid by the end of each month

All of the Group's top five subcontractors during the Track Record Period were Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any direct or indirect interest in any of the Group's five largest subcontractors during the Track Record Period. The Directors confirmed that the Company did not experience any shortage or delay in supply of labour from subcontractors during the Track Record Period.

Basis for selection of subcontractors

The Group maintains an internal list of approved subcontractors and such list is updated on a continuous basis. While assessing whether a subcontractor is qualified to be on the list, the Group carefully evaluates its number of employees, qualifications of its employees and its past working experience. When subcontracting is required, the Group will enter into contract with the selected subcontractor with regard to, among other things, its qualifications and capacity.

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, subcontracting fees of the Group amounted to approximately HK$7.3 million, HK$10.1 million, HK$15.0 million and HK$6.4 million, respectively, representing approximately 6.3%, 7.2%, 9.9% and 10.5% of the Group's total cost of revenue for the corresponding year, respectively. Therefore, the Directors consider that the Group did not place any significant reliance on its subcontractors. For the sensitivity analysis which illustrates the impact of hypothetical fluctuations in the Group's subcontracting fees, please refer to the section headed "Financial information — Sensitivity analysis" in this prospectus.

Salient terms and credit policy of the Group's subcontracting agreements with its subcontractors

During the Track Record Period, the Group engaged third-party subcontractors to provide labour, such as coxswains and crew members, for the operation of its vessels. The Group generally engages the subcontractors by entering into legally binding subcontracting agreements.

Salient terms of a typical subcontracting agreement are summarised as below:

Scope of services:	Number of qualified seafarers to be provided, their duties and the name and licence number of the vessel to be operated and managed are specified in the agreement.
Service period:	A service period is specified in the agreement.
Service time:	Daily service time of the vessels is specified in the agreement.
Subcontracting fee:	The rental fee per vessel, usually calculated on a monthly basis.
Insurance:	The subcontractor shall maintain employees' compensation insurance for its employees.
Termination:	The Group may terminate the subcontracting services by giving 15 days of advance notice to the subcontractor.

The Group's subcontractors generally issue invoices on a monthly basis and the Group settles the payments by the end of each month. The Group usually settles the payments by cheques or bank transfer. For further details on the Group's payable turnover days, please refer to section headed "Financial information — Discussion of selected consolidated statements of financial position items — Trade and other payables" in this prospectus.

MARKET AND COMPETITION

According to the Ipsos Report, the vessel chartering industry in Hong Kong is fragmented, the revenue of which increased from approximately HK$3,807.0 million in 2013 to approximately HK$4,042.9 million in 2017, at a CAGR of approximately 1.5%. Such growth was mainly contributed by the sustainable capital allocation of maritime and port services from the Government and marine construction. The revenue of the vessel chartering industry in Hong Kong is expected to increase from approximately HK$4,168.0 million in 2018 to approximately HK$4,412.3 million in 2022, at a CAGR of approximately 1.4%. Such increase is expected to be driven by maritime and port infrastructure initiatives taken by the Government and continuous projects of marine construction works. The competition of the vessel chartering industry is fragmented. In 2017, there were over 130 local vessel chartering service providers in Hong Kong and the Group had a market share of approximately 4.2% in the local vessel chartering industry in Hong Kong.

The solid waste vessel management industry in Hong Kong is basically dominated by three major players in the market including the Group. The dominance is mainly caused by the limited contracts released by the operating contractors of refuse transfer stations/sludge treatment facility and the long duration of each vessel management contract, ranging from around seven to 15 years. For further information regarding the competitive landscape of the industries in which the Group operates, please refer to the section headed "Industry overview" in this prospectus.

LICENCES AND PERMITS

The Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group had all material requisite licences, approvals and permits required for its operations in Hong Kong.

As at the Latest Practicable Date, all of the Group's self-owned vessels have obtained the Certificates of Ownership and the Operating Licences, and the certificates of survey under the Merchant Shipping (Local Vessels) (Safety and Survey) Regulation (Chapter 548G of the Laws of Hong Kong).

The operating licences and certificates of survey of the Group's self-owned vessels are usually valid for 12 months beginning from the date of issue of the licence and are renewable. The below table sets forth the expiry dates of Operating Licences and certificates of survey obtained by the Group for its self-owned vessels as at the Latest Practicable Date:

Company	Type of vessels	Vessel name	Expiry date of the Operating Licences	Expiry date of the certificates of survey
Yun Lee Marine	Tug	YUN TAI	27 September 2019	27 September 2019
		YUN FU	28 October 2019	28 October 2019
		YUN FAT	4 July 2019	4 July 2019
		YUN ON	22 May 2019	14 May 2019
		YUN WAI	28 November 2019	18 November 2019
		FOOK WAI	8 July 2019	8 July 2019
		TAK WAI	2 August 2019	2 August 2019
	Launch	AQUA	25 October 2019	24 April 2019
		AQUA 2	29 March 2019	5 April 2019
		AQUA 3	6 January 2020	6 January 2020
		AQUA 6	9 July 2019	9 July 2019
		AQUA 8	20 November 2019	20 November 2019
		AQUA 22	27 October 2019	26 April 2019
		AQUA 26	23 February 2020	23 February 2020
	Work boat	YUN KEE	26 March 2019	26 March 2019
		YLM-01	15 December 2019	15 December 2019
	Dry cargo vessel	LIK WAI	8 July 2019	5 July 2019
	Landing pontoon	YUN TAK	26 September 2019	26 September 2019
Yun Lee Tug Boat	Tug	YUN SHING 18	21 December 2019	21 December 2019
		YUN LEE	30 January 2020	30 January 2020
KMY Marine	Tug	WO TAI	5 October 2019	5 October 2019

As disclosed above, the Group has completed assessing the physical conditions and the needs of repair and maintenance for the vessels which the licences and certificates will expire within one month from the Latest Practicable Date, the Directors expect the relevant licences and certificates will be renewed before the operation subsequent to their respective expiry dates.

The Group's technical support department is responsible for the renewal of licences and certificates. Upon the assessment on the physical conditions on the vessels, the Group will arrange for repair and maintenance as required in advance to, taking into account the expected renewal processing time and the expiry date of relevant licences and certificates. Subsequent to the commencement of repair and maintenance works, the Group will apply for the renewal of the certificate of survey at the Marine Department and the Group will arrange the vessel to be inspected by either the Marine Department or an authorised surveyor pursuant to section 7 of the Merchant Shipping (Local Vessels) Ordinance. Upon the notification from the Marine Department regarding the completion of the renewal process of the certificate of survey, the Group will submit the application for the Operating Licence and obtain the renewed Operating Licence together with the collection of the renewed certificate of survey. From the Group's past experience, the time between the Group's application for the renewal of the certificate of survey and the collection of the renewed Operating Licence and certificate of survey usually takes approximately two weeks to one month. For the avoidance of doubt, the vessel will only be required to be suspended for the inspection which normally takes one to two days during the renewal process.

According to the Group's historical operational experience, the actual timing for the renewal application of the relevant licences and certificates of each self-owned vessel depends on various factors such as the work orders on-hand for relevant vessels, the availability of substitution of such vessels and the availability of shipyards for repair and maintenance as required. In the event that the Group fails to renew the licences and certificates of the Group's self-owned vessels before their respective expiry dates, the Group will suspend their operation until their licences and certificates are being renewed. The Directors confirmed that the Group did not experience any material difficulties in obtaining and/or renewing the abovementioned licences, approvals and permits. Further, the Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, approvals and permits.

As at the Latest Practicable Date, the Group had 40 and 48 employees who possessed the Local Certificate of Competency — Coxswain and Local Certificate of Competency — Engine Operator, respectively, while 29 of the Group's employees possessed both the Local Certificate of Competency — Coxswain and the Local Certificate of Competency — Engine Operator. The Group implemented an internal policy to ensure the Group's employees are in possession of valid and up-to-date licences at all times in order to comply with the MS(LV)O, such internal policy includes the Group to (i) examine the relevant certificates of the newly hired employees and take copies of the same for the Group's internal record; and (ii) conduct a regular inspection of the relevant certificates of the Group's employees for their validity.

SALES AND MARKETING

During the Track Record Period, the Group secured new businesses mainly through direct invitation to provide quotation or tender by customers and did not incur any expenses for sales and marketing.

SEASONALITY

The Directors consider that the Group's business operations do not experience any material seasonality.

HEDGING

During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in any hedging activity.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, the Group did not engage in any research and development activity nor incur any research and development expenses.

OCCUPATIONAL HEALTH AND WORK SAFETY

The Group places emphasis on occupational health and work safety during the delivery of services as it is one of the Group's objectives to prevent avoidable problems and hazards from occurring to the Group's employees and the general public. In order to provide a safe and healthy working environment for its staff, the Group has established a code of safe working practices and set out work safety rules in the employee handbook for its employees to follow. Major measures set out in the code of safe working practices are as follows:

- there is an organisation chart showing positions including master, chief officer, chief engineer and other crew members with their responsibilities and authorities in safety management on board of each vessel;

- the Group requires its crew members to comply with the Group's safety instructions on vessel operation including the procedures of vessel berthing and unberthing, and wearing the necessary safety suit and protective equipment on board;

- the Group has established in-house emergency procedures and fire precautions, such as evacuation procedures, location of life-saving equipment and fire extinguishers in each of the vessel and their operating instructions; and

- the Group conducts regular safety trainings for its crew members including fire safety drill training, sea safety drill training and sea rescue simulator training to enhance the safety awareness on board.

Save as disclosed in the sub-section headed "Litigations and claims — Potential litigations in relation to employees' compensation and personal injury claims against the Group" in this section, the Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any significant incidents or accidents in relation to workers' safety or any non-compliance with the applicable laws and regulations which are relevant to the occupational health and work safety issues.

ENVIRONMENTAL COMPLIANCE

The Group has established internal polices to monitor the environmental compliance of its business operations. Specifically, the Group adopts the following policies to ensure proper environmental protection and compliance with environmental laws and regulations in the course of vessel operation:

- the Group requires its crew members to observe and comply with the garbage management plan for handling and storage of garbage which may present health and safety hazards to crew members and vessels;

- the Group establishes in-house rules on disposal of waste oil, chemicals, galley waste (including used cooking oil), garbage (especially plastics, glass, drums and other non-biodegradable items) and redundant items; and

- the Group conducts regular trainings for its crew members to ensure that they are aware of and proactive towards protecting the environment.

The Group's operations are subject to certain environmental related laws and regulations in Hong Kong, please refer to the section headed "Regulatory overview — Environmental protection regulations" for further details. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the Directors, the Group did not record any non-compliance with the applicable environmental laws and regulations that resulted in prosecution or penalty against the Group.

INSURANCE

During the Track Record Period, the Group maintained insurance coverage against, among other matters, (i) third party risks for its self-owned vessels; (ii) employees' compensation; and (iii) third-party liability in relation to the use of the Group's vehicles.

The Directors consider that the existing insurance coverage is adequate and consistent with the industry norm having regard to the Group's current operations and the prevailing industry practice. The Directors confirm that no substantial claim has been made in respect of any of the Group's insurance policies during the Track Record Period and up to the Latest Practicable Date. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred insurance expenses of approximately HK$1.1 million, HK$1.6 million, HK$1.2 million and HK$0.6 million, respectively.

EMPLOYEES

As at the Latest Practicable Date, the Group had a total of 114 employees. All of the employees of the Group were stationed in Hong Kong.

Number of employees by function

Set out below is the number of employees by function as at the Latest Practicable Date:

	As at the Latest Practicable Date
Management	5
Crew members	92
Operation and procurement	3
Technical support	6
Administration and accounting	8
Total	114

Relationship with staff

The Group recruits employees mainly through the Labour Department of Hong Kong and other online recruitment platform. The Directors consider that the Group has maintained good relationship with its employees. The Directors confirm that the Group has complied with all applicable labour laws and regulations in all material aspects in Hong Kong.

The Directors confirm that the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has the Group experienced any difficulties in the retention of experienced staff and skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by the Group's employees.

Training and recruitment policies

The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the Group's business development. The Group provides employees' handbook to new employees to explain the Group's internal rules.

Remuneration policy

The Group enters into separate employment contracts with each of the Group's employees in accordance with the applicable employment laws in Hong Kong. The remuneration package the Group offered to its employees includes salary and discretionary bonuses. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of the Group's employees, which forms the basis of the Group's decisions for salary raises, bonuses and promotions.

The Group has enrolled all qualifying employees in the Mandatory Provident Fund ("**MPF**") scheme in Hong Kong. During the Track Record Period, the total amounts contributed by the Group to the MPF scheme and costs recognised in the consolidated statement of profit or loss and other comprehensive income represented contributions paid or payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the MPF scheme contributions made by the Group amounted to approximately HK$0.8 million, HK$1.3 million, HK$1.3 million and HK$0.6 million, respectively.

PROPERTIES

Owned property

During the Track Record Period and up to the Latest Practicable Date, the Group did not own any property.

Leased properties

As at the Latest Practicable Date, the Group leased six properties and two carpark lots in Hong Kong, details of which are set out below:

No.	Location	Term	Lessor	Key terms of the tenancy	Use of the property
1.	Flat D, 31/F. Billion Plaza II 10 Cheung Yue Street Cheung Sha Wan Kowloon Hong Kong	From 10 March 2016 to 9 March 2019	An Independent Third Party	Monthly rent of HK$47,500	General office and operations
2.	Carpark No. P23, 2/F. Billion Plaza II 10 Cheung Yue Street Cheung Sha Wan Kowloon Hong Kong	From 1 April 2018 to 31 March 2020	An Independent Third Party	Monthly rent of HK$3,100	Carpark
3.	Office Nos. 2 and 3, 10/F. Omega Plaza 32-34A Dundas Street Kowloon Hong Kong	From 17 April 2018 to 16 April 2020	An Independent Third Party	Monthly rent of HK$39,330	General office and operations

No.	Location	Term	Lessor	Key terms of the tenancy	Use of the property
4.	Shop 10, Tak Hay Building 20 Tak Cheong Street Kowloon Hong Kong	From 1 December 2018 to 30 November 2020	An Independent Third Party	Monthly rent of HK$12,500	Storage of machinery and equipment
5.	Flat B4, 27/F. Shun Lee Building 220 Ferry Street Kowloon Hong Kong	From 1 January 2018 to 31 December 2019	Ms. Chan	Monthly rent of HK$12,000	Staff lounge
6.	Flat B6, 27/F. Shun Lee Building 220 Ferry Street Kowloon Hong Kong	From 1 January 2018 to 31 December 2019	Metro Key	Monthly rent of HK$11,000	Staff lounge
7.	Apartment No. 33, 32/F. Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	From 1 December 2017 to 31 March 2019	An Independent Third Party	Monthly rent of HK$44,500	Directors' quarters
8.	Carpark Nos. G69-70, B1 Celestial Place Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	From 1 December 2018 to 30 November 2019	An Independent Third Party	Monthly rent of HK$8,700	Carpark

During the Track Record Period and up to the Latest Practicable Date, the Group had not experienced any difficulty in renewing the leases.

The Directors confirmed that none of the leased properties above is individually material to the Group in terms of rental expenses. The above leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of non-property activities if the carrying amount of a property interest is less than 15% of the Group's total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance. As at the Latest Practicable Date, the Group had no single property interest of non-property activities with a carrying amount of 15% or more of the Group's total assets, and on such basis, the Group are not required to include in this prospectus any property valuation report.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, the Group had registered two trademarks in Hong Kong. Details of such trademarks are set out in the section headed "Statutory and general information — B. Further information about the business of the Group — 2. Intellectual property — 2.1 Trademarks" in Appendix IV to this prospectus.

Domain name

As at the Latest Practicable Date, the Group had registered one domain name, being **yunlee.com.hk** in Hong Kong. Details of such domain name are set out in the section headed "Statutory and general information — B. Further information about the business of the Group — 2. Intellectual property — 2.2 Domain name" in Appendix IV to this prospectus.

The Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group (i) did not experience any infringement to its intellectual property rights; and (ii) has not been involved in any dispute or litigation in relation to the infringement to its intellectual property rights, nor is the Group aware of any such claim either pending or threatened.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group has maintained an internal control system and the Directors are responsible for monitoring its implementation of the Group's internal control measures and reviewing its effectiveness. In preparation for the Listing, the Group has appointed an independent internal control consultant (the "**Internal Control Consultant**"), to perform a detailed assessment of the Group's internal control system, including the areas of financial, operation, corporate governance, compliance and risk management.

The Internal Control Consultant conducted its first round review on the Group's internal control system in February 2018 and identified certain weaknesses in relation to the Group's internal control system. The Internal Control Consultant has recommended various measures and policies to enhance the Group's internal control system. Save as the internal control policies as set out in the sub-section headed "Non-compliance — Non-compliance with the permitted land use as specified in the occupation permit of two leased properties" in this section, the Internal Control Consultant has also identified the following key findings and the Group has adopted the following enhanced internal control measures as recommended by the Internal Control Consultant:

Key findings	**Enhanced internal control measures**
The Group had no written policies to cover corporate governance, code of conduct and conflict of interest, and had no formal risk assessment and management mechanism	In April 2018, the Group has established and adopted a set of internal control manual which covers corporate governance policies and procedures, risk assessment and management mechanism, staff training plan and policies, and code of conduct and conflict of interest policies, to enhance the Group's internal compliance system and monitor proper conduct of business. It is expected that the Group will implement the above manuals and policies upon the Listing.
The Group only performed financial closing process on an annual basis and had no financial closing checklist to ensure the completeness and timeliness of period-end closing procedures	The Group has adopted a financial closing checklist with timetable in April 2018. The Group has performed financial closing procedures on a regular basis including performing accounts reconciliation and preparing and reviewing financial statements and analysis. The accounting department is responsible for preparing the financial closing checklist and implementing quarterly financial closing procedures and the financial controller is responsible for reviewing and approving them.
The Group had no formal credit assessment mechanism for customers	The Group has established and implemented a formal mechanism for customer credit assessment in April 2018. Such assessment will be reviewed by the executive Director(s) on a regular basis. In addition, the accounting department will prepare a quarterly ageing analysis for trade receivables to monitor the liquidity of the Group and conduct follow up actions in a timely manner.
The Group did not perform cash flow forecast to monitor and evaluate whether it has sufficient cash to meet its liabilities and operational needs	In April 2018, the Group has implemented a cash flow forecast process to monitor its cash flow properly. The accounting department is responsible for preparing a biannual cash flow forecast report and the report will be reviewed by the executive Director(s).

In April 2018, the Internal Control Consultant performed a follow-up review by focusing on the remedial actions undertaken by the management of the Group on the control weakness identified in the first round review. Based on the result of the follow-up review, the Directors confirmed, and the Internal Control Consultant concurred, that the Group had adopted all the internal control policies suggested by the Internal Control Consultant and did not have any significant deficiencies in its internal control system as at the Latest Practicable Date.

NON-COMPLIANCE

The Directors confirm that, save as disclosed below, as at the Latest Practicable Date, there was no material non-compliance with the applicable laws and regulations during the Track Record Period that would have a material operational or financial impact on the Group.

Non-compliance with the permitted land use as specified in the occupation permit of two leased properties

Particulars of the non-compliance	Reason for the non-compliance	Rectification actions and current status	Legal consequences including potential maximum penalty and other financial liabilities	Measures to prevent any recurrence of similar non-compliance
Flat B4, 27/F., Shun Lee Building, 220 Ferry Street, Kowloon, Hong Kong ("**Flat B4**") had been used by Yun Lee Marine as general office until 14 April 2018. Flat B6, 27/F., Shun Lee Building, 220 Ferry Street, Kowloon, Hong Kong ("**Flat B6**") had been used by (i) Yun Lee Marine as general office until 14 April 2018; (ii) Yun Lee Tug Boat, Eastlink Marine, Universal Marine, KMY Marine and Yun Lee Marine as registered office until 14 November 2017; and (iii) MKK Marine as registered office until 18 May 2016. The permitted use as specified in the occupation permit of Flat B4 and Flat B6 is domestic use. Accordingly, the actual use of Flat B4 as office and Flat B6 as office and registered office did not comply with the permitted use as set out in the occupation permit. Prior to such material change in use, the Company did not submit the respective notice to the Building Authority (collectively, the "**Notices**") as required under section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the "**Buildings Ordinance**"). Therefore, it was in breach of the said section for failure to notify the Building Authority regarding the change of land use.	The breach was not wilful and was due to the lack of professional legal and property advice sought by the Directors at the material time.	The Group has ceased to use Flat B4 and Flat B6 as offices and has changed to use them solely as staff lounges since 15 April 2018. MKK Marine has used Flat D, 31/F., Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong (the "**Billion Plaza Office**") as its principal place of business and office since 18 May 2016 whereas Yun Lee Tug Boat, Eastlink Marine, Universal Marine, KMY Marine and Yun Lee Marine have used the Billion Plaza Office as their principal place of business and office since 14 November 2017. The Group has also leased Office Nos. 2 and 3, 10/F., Omega Plaza 32-34A, Dundas Street, Kowloon, Hong Kong (the "**Omega Plaza Office**") for general office and operational use since 17 April 2018. As advised by the Legal Counsel, despite the cessation of using Flat B4 and Flat B6 as offices, the Notices required under section 25(1) of the Buildings Ordinance should still be submitted to eliminate any risk of enforcement by the Building Authority. Therefore, on 7 May 2018, each of the owners of Flat B4 and Flat B6 submitted the Notices to the Building Authority. The Buildings Department replied by letters on 29 May 2018 and 8 June 2018 to each of the owners of Flat B4 and Flat B6, that the Notices informing the intended material change in use cannot be processed under section 25(1) of the Buildings Ordinance since the use of staff lounge had already been put into effect. In the absence of any intended retrospective prosecution indicated on the said letters, the Legal Counsel opines that no further action can be taken by each of the owners of Flat B4 and Flat B6.	According to section 40(2) and section 40(6) of the Buildings Ordinance, each of the relevant subsidiaries of the Company is liable to a maximum fine of HK$100,000 and the Directors are liable to a maximum fine of HK$100,000 and imprisonment of two years maximum for breach of section 25(1) of the Buildings Ordinance. Given that the Notice(s) required under section 25 of the Buildings Ordinance have been submitted to the Building Authority on 7 May 2018 and based on the reply from the Building Department, the Legal Counsel opines that the chance of prosecution is low. In the circumstances, even if there is any prosecution, the chance of the said maximum sentence being imposed is not high, and a fine is likely to be imposed without a custodial sentence.	The Group has established a checklist in relation to the entering of any tenancy agreement, in particular the compliance of the proposed use and the permitted use of the proposed leased property. Prior to entering of any tenancy agreement, the Group will identify the permitted use of the proposed leased property and ensure the Group's proposed use is in compliance with the permitted use. At least one executive Director and the company secretary of the Company will review the terms of the draft tenancy agreement. If necessary, the Group will seek assistance from external professional parties, such as legal advisers and registered architects.

Indemnity given by the Controlling Shareholders

In relation to the aforesaid, the Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above non-compliant incidents. Please refer to the section headed "Statutory and general information — E. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus for further details.

Review by the Internal Control Consultant

The Internal Control Consultant has completed follow-up reviews on the enhanced internal control measures in April 2018 and confirmed to be unaware of any unrectified weaknesses. Taking into account the facts that (i) there were no findings of material weakness or material insufficiency in the Group's enhanced internal control system after the follow-up reviews by the Internal Control Consultant; and (ii) the Group has properly implemented the enhanced internal control measures recommended by the Internal Control Consultant, the Directors are of the view that the enhanced internal control measures are adequate and effective for the Group's operations.

View of the Directors and the Sponsor

Having considered (i) the background leading to the historical non-compliance incidents; (ii) the Group has fully rectified the non-compliance; and (iii) the follow-up review by the Internal Control Consultant on the Group's internal control system, the Directors are of the view, and the Sponsor concurs, that the Group has taken the preventive measures to avoid recurrence of the non-compliance and the various internal control measures adopted by the Group are adequate and effective.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, the Group had been involved in three civil claims and there were potential litigation cases against the Group including employees' compensation claims and personal injury claims arising in the ordinary and usual course of the Group's business.

Civil claims in relation to employment matters

(1) Litigation against Yun Lee Marine

(a) Settled proceedings

The legal proceedings commenced on 31 August 2016 whereby Yun Lee Marine was sued by an ex-employee, who was a captain of Yun Lee Marine (the "**First Yun Lee Claimant**") from 2 April 2016 to 8 July 2016, before the Labour Tribunal of Hong Kong for outstanding wages for a sum of HK$19,240 against Yun Lee Marine for the termination of employment contract without sufficient notice or payment in lieu of notice.

The Labour Tribunal of Hong Kong has subsequently granted a court order that the First Yun Lee Claimant withdrew all claims against Yun Lee Marine and Yun Lee Marine consented not to claim litigation costs against the First Yun Lee Claimant. As at the Latest Practicable Date, this civil claim was fully settled and no costs order was ordered by the Labour Tribunal of Hong Kong.

(b) Outstanding proceedings

On 19 August 2018, an ex-employee of Yun Lee Marine, who was a sailor of Yun Lee Marine (the "**Second Yun Lee Claimant**") from 20 July 2014 to 30 September 2017, alleged that he sustained scald injury to his right hand when adding water to a water tank in the machine room of the ship in the sea and hot water splashing out from the water tank onto his right hand. The Second Yun Lee Claimant brought the claim before the District Court of Hong Kong by filing an "Application by injured employee in respect of compensation payable to him under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**")" on 13 September 2018.

The Second Yun Lee Claimant claimed against Yun Lee Marine for (i) the compensation under sections 9, 10 and 10A of the ECO; (ii) extension of entitlement of periodic payments for further periods pursuant to section 10(5) of the ECO (if applicable); and (iii) interest and costs. The insurer of Yun Lee Marine has taken over the conduct of the proceedings and the first hearing scheduled on 28 December 2018 was vacated through a joint written application by the Second Yun Lee Claimant and Yun Lee Marine on 27 December 2018. As at the Latest Practicable Date, the claim was on-going and the parties were in the progress of reaching a private settlement agreement for the employees' compensation proceedings.

(2) Litigation against MKK Marine

The legal proceedings commenced on 31 August 2017 whereby MKK Marine was sued by an ex-employee who was an assistant captain (the "**MKK Claimant**") from 16 January 2016 to 9 May 2017 before the Labour Tribunal of Hong Kong for an alleged failure to grant rest days which could amount to a sum of HK$51,000.

On 8 March 2018, the Labour Tribunal of Hong Kong granted a court order that the MKK Claimant withdrew all claims against MKK Marine. As at the Latest Practicable Date, this civil claim was fully settled. The court also ordered the MKK Claimant to pay HK$5,000 as litigation costs to MKK Marine.

Potential litigations in relation to employees' compensation and personal injury claims against the Group

As confirmed by the Directors, during the Track Record Period and up to the Latest Practicable Date, there were 23 work injury accidents arising in the ordinary and usual course of the Group's business reported to the Labour Department of Hong Kong, such as slipping, tripping or falling in floating vessels; striking against moving, fixed or stationary object in floating vessels; lifting or carrying objects in floating vessels resulting in contusion and bruise, laceration and cut, fracture, and sprain and strain. None of these work injury accidents have caused any material disruption to the Group's business. Potential claims refer to those accidents for which no claims have been commenced against the Group but are within the limitation period of two years (for employees' compensation claims) pursuant to the ECO or three years (for personal injury claims) from the dates of the relevant accidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong).

As these potential claims against the Group have not commenced, the quantum of such potential claims are yet to be assessed. The Directors are of the view that the potential amount to be borne by the Group shall be fully covered by the insurance policy maintained by the Group, and to the extent that such amount is not covered by the relevant insurance policies, it will be indemnified by the Controlling Shareholders, pursuant to the Deed of Indemnity. Details of the Deed of Indemnity are set out in the section headed "Statutory and general information — E. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus. Accordingly, the aforementioned potential claims would not result in any material impact on the financial position or results and operations of the Group.

Please see below for a summary of the number of potential claims as at the Latest Practicable Date of which their limitation period would expire in the following respective years:

Year	**Number of employees' compensation claims which limitation period will expire in the stated year**	**Number of personal injury claims which limitation period will expire in the stated year**
2017	—	—
2018	—	—
2019	5	8
2020	3	6
2021	—	3
	8	17

Note: Section 14(1) of the ECO provides that actions for employees' compensation must be brought to the court within two years from the date of the accident whereas section 27(4) of the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong) provides that the time limit for claims brought under common law (including the personal injuries' claims) is three years from the occurrence of the injury. As such, among the 23 work injury accidents arising in the ordinary and usual course of the Group's business which were reported to the Labour Department of Hong Kong, the limitation periods of employees' compensation actions and/or personal injury actions for some of the accidents have already expired.

The above table is a summary of the number of potential employees' compensation claims and personal injury claims against the Company or any of its subsidiaries. It does not include (a) the work injury accidents of which the limitation periods for the employee's compensation claims and/or personal injury claims have already expired before the Latest Practicable Date; (b) the work injury accidents which the injured employees have signed waivers declaring that they will not bring any employees' compensation claim or personal injury claim against the Group; and (c) the work injury accidents in which the injured employees have commenced proceedings before the courts of Hong Kong against the Group and such proceedings were still on-going as at the Latest Practicable Date. Therefore, the number of potential claims in the table does not reconcile to the total number of work injury accidents during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries that would have a material adverse effect on the results of operations or financial condition of the Group.

Indemnity given by the Controlling Shareholders

The Controlling Shareholders have entered into the Deed of Indemnity whereby the Controlling Shareholders have agreed to indemnify the Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any work injuries, outstanding litigations and claims, and non-compliances of the Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed "Statutory and general information — E. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain transactions with its connected persons which will continue after the Listing. Therefore, these transactions will constitute exempt continuing connected transactions under Chapter 14A of the Listing Rules.

The Tenancy Agreements

Background of the Tenancy Agreements and reasons for the transactions

During the Track Record Period, Yun Lee Marine leased (i) Flat B4, 27/F., Shun Lee Building, 220 Ferry Street, Kowloon, Hong Kong ("**Flat B4**"); and (ii) Flat B6, 27/F., Shun Lee Building, 220 Ferry Street, Kowloon, Hong Kong ("**Flat B6**", together with Flat B4, the "**Properties**"). As at the Latest Practicable Date, the Properties were occupied as the Group's staff lounge. The Group intends to continue leasing the Properties upon the Listing.

On 4 January 2018, Ms. Chan and Yun Lee Marine entered into the tenancy agreement in respect of lease of Flat B4 (the "**Flat B4 Tenancy Agreement**"). Pursuant to which Ms. Chan shall lease Flat B4 to Yun Lee Marine for a term of two years commencing from 1 January 2018 to 31 December 2019 thereto a monthly rent of HK$12,000 (inclusive of Government rent, rates, but exclusive of management fee, utilities and telephone charges). Ms. Chan is an executive Director and one of the Controlling Shareholders, therefore a connected person of the Company upon the Listing pursuant to Rule 14A.07(1) of the Listing Rules.

On 4 January 2018, Metro Key and Yun Lee Marine entered into the tenancy agreement in respect of lease of Flat B6 (the "**Flat B6 Tenancy Agreement**", together with the Flat B4 Tenancy Agreement, the "**Tenancy Agreements**"). Pursuant to which Metro Key shall lease Flat B6 to Yun Lee Marine for a term of two years commencing from 1 January 2018 to 31 December 2019 thereto a monthly rent of HK$11,000 (inclusive of Government rent, rates, but exclusive of management fee, utilities and telephone charges). Metro Key is owned as at 99.99% by Mr. Wen, an executive Director and one of the Controlling Shareholders, and 0.01% by Mr. Wen Yiu Pui, the father of Mr. Wen, therefore a connected person of the Company upon the Listing pursuant to Rule 14A.07(4) of the Listing Rules.

Historical transaction amounts and annual caps

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the aggregate amount of rent paid by Yun Lee Marine to Ms. Chan in relation to the lease of Flat B4 amounted to approximately nil, nil, HK$36,000 and HK$72,000, respectively. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the aggregate amount of rent paid by Yun Lee Marine to Metro Key in relation to the lease of Flat B6 amounted to approximately HK$120,000, HK$120,000, HK$123,000 and HK$66,000, respectively.

The Group expects that the annual caps for the rent payable by Yun Lee Marine to Ms. Chan and Metro Key, respectively, under the Tenancy Agreements for each of the two years ending 31 March 2020 are set out below:

	Proposed annual cap for the year ending 31 March	
	2019	**2020**
	HK$'000	*HK$'000*
Rent payable under the Flat B4 Tenancy Agreement	72	108 *(Note 1)*
Rent payable under the Flat B6 Tenancy Agreement	66	99 *(Note 2)*

Notes:

1. The proposed annual caps for the Flat B4 Tenancy Agreement for the year ending 31 March 2019 and 31 March 2020 are calculated based on the rent payable thereof for the six months commencing from 1 October 2018 to 31 March 2019 and the nine months commencing from 1 April 2019 to 31 December 2019, respectively.
2. The proposed annual caps for the Flat B6 Tenancy Agreement for the year ending 31 March 2019 and 31 March 2020 are calculated based on the rent payable thereof for the six months commencing from 1 October 2018 to 31 March 2019 and the nine months commencing from 1 April 2019 to 31 December 2019, respectively.

The proposed annual caps in respect of the Tenancy Agreements are arrived after arm's length negotiations between the parties thereto with reference to the prevailing market rates in respect of the same or similar properties in the same locality. An independent property valuer engaged by the Group has reviewed the monthly rent payable under each of the Tenancy Agreements and has confirmed that the terms thereof are fair, reasonable and are consistent with the prevailing market rates for similar premises at similar locations.

Listing Rules implications

As all the applicable percentage ratios (as defined in the Listing Rules) for the proposed annual caps in respect of the Tenancy Agreements are less than 5% and the proposed annual caps in respect of the Tenancy Agreements for each of the two years ending 31 March 2020 are less than HK$3,000,000, the transactions contemplated under the Tenancy Agreements will be fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules upon the Listing.

The Management Agreement

Background of the Management Agreement and reasons for the transactions

To the best knowledge of the Directors, KEE Marine is principally engaged in rendering of marine consultancy and survey services to local vessels such as marine licence consultation, vessels or fleets condition survey, seabed sounding and contours drawings whereas the scope of the Group's maritime consultation services is mainly related to vessels operation, such as provision of (i) vessel navigation services and (ii) assistance services in berthing of vessels. Since the scope of services provided by KEE Marine is different from that provided by the Group, the Directors consider that the principal business of KEE Marine does not or is unlikely to compete with the business of the Group.

During the Track Record Period, KEE Marine engaged the Group to provide management services (the "**Management Services**") as KEE Marine did not retain any administrative staff and only employed one accounting staff to handle routine financial affairs. The Management Services mainly include the provision of (i) general office administrative support such as handling email and call enquiries; and (ii) clerical support including data entry and documentation tasks. Taking into account that (i) the Management Services do not incur significant cost or cause any material interruption to the operations of the Group; and (ii) the management fee thereof provides additional income to the Group, the Directors consider that the provision of Management Services to KEE Marine is beneficial to the Group and the Shareholders as a whole.

On 1 April 2018, KEE Marine and MKK Marine entered into the management agreement (the "**Management Agreement**"), pursuant to which MKK Marine shall provide the Management Services, including but not limited to, (i) providing advice and performing the day-to-day management of KEE Marine's business operations; and (ii) providing office and administrative resources to KEE Marine for a period of three years commencing from 1 April 2018 to 31 March 2021. The monthly management fee payable by KEE Marine to MKK Marine is HK$30,000.

KEE Marine is wholly owned by Mr. Cheung, a director of MKK Marine, therefore a connected person of the Company upon the Listing pursuant to Rule 14A.07(4) of the Listing Rules.

Historical transaction amounts and annual caps

For each of the two years ended 31 March 2018 and the six months ended 30 September 2018, the aggregate amount of management fee paid by KEE Marine to MKK Marine in relation to the provision of the Management Services amounted to approximately HK$315,000, HK$360,000 and HK$180,000, respectively.

The Directors expect that the annual caps for the management fee payable by KEE Marine to MKK Marine under the Management Agreement for each of the three years ending 31 March 2021 are set out below:

	Proposed annual cap for the year ending 31 March		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Management fee payable under the Management Agreement	180*(Note)*	360	360

Note: The proposed annual cap in respect of the Management Agreement is calculated based on the management fee payable thereof for the six months commencing from 1 October 2018 to 31 March 2019.

The proposed annual caps in respect of the Management Agreement are arrived with reference to the estimated costs to be incurred by MKK Marine for the provision of the Management Services, such as head counts and time recorded for the provision of administrative support, office cleaning services and information system support. The monthly management fee of HK$30,000 is determined by taking into account (i) the nature of administrative and clerical support to be provided by the Group; and (ii) the monthly management fee being considered as a cost for the pay of two administrative assistants to be paid by KEE Marine. The Directors are of the view that the terms of the Management Agreement are on normal commercial terms or better and such terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Listing Rules implications

As all the applicable percentage ratios (as defined in the Listing Rules) for the proposed annual caps in respect of the Management Agreement are less than 5% and the proposed annual caps in respect of the Management Agreement for each of the three years ending 31 March 2021 are less than HK$3,000,000, the transactions contemplated under the Management Agreement will be fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules upon the Listing.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), Kitling (BVI) will be beneficially interested in approximately 62.89% of the issued share capital of the Company, which is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company. Kitling (BVI) is owned as to 70% by Mr. Wen, an executive Director, the chairman of the Board and the chief executive officer of the Company, and 30% by Ms. Chan, an executive Director. Mr. Wen is the spouse of Ms. Chan. As such, Mr. Wen, Ms. Chan and Kitling (BVI) are the Controlling Shareholders.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

In the opinion of the Directors, the Group is capable of carrying on its business independently of, and does not place undue reliance on, the Controlling Shareholders and their close associates after Listing, taking into account of the following factors:

MANAGEMENT INDEPENDENCE

The management and operational decisions of the Group are made by the Board and the senior management. Although the Controlling Shareholders will retain controlling interest in the Company upon completion of the Capitalisation Issue and the Share Offer, the Board comprises two executive Directors and three independent non-executive Directors. Mr. Wen and Ms. Chan are the executive Directors and the Controlling Shareholders. The Directors consider that the Board will function independently from the Controlling Shareholders because:

(i) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interest of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum. The Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the sub-section headed "Corporate governance measures" in this section;

(iii) the Group has established its own management, operation and procurement, technical support, administration and accounting divisions which are responsible for daily operations of the Group;

(iv) with three independent non-executive Directors out of a total Board size of five, there will be a sufficiently robust and independent voice on the Board to counter-balance any situation of conflict of interest and protect the interests of the independent Shareholders; and

(v) most of the senior management members have substantial experience in the industry the Group is engaged in and have served the Group for a period of time during which they have demonstrated their capability of discharging their duties independently from the Controlling Shareholders.

FINANCIAL INDEPENDENCE

The Company has its own financial management and accounting systems, administration and accounting department and makes financial decisions according to its own business needs. During the Track Record Period and up to the Latest Practicable Date, Mr. Wen and Ms. Chan, the Controlling Shareholders, as well as Mr. Cheung and Mr. Chow, senior management of the Group, had provided personal guarantees for the banking facilities of the Group. All of the personal guarantees will be released and replaced by the corporate guarantees executed by the Company upon the Listing. For further details, please refer to note 24 to the Accountants' Report as set out in the Appendix I to this prospectus.

The Directors believe that the Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on the Controlling Shareholders after the Share Offer. Therefore, the Directors consider that the Group will be financially independent from the Controlling Shareholders after the Listing.

OPERATIONAL INDEPENDENCE

Although the Controlling Shareholders will retain a substantial interest in the Company after Listing, the Company has full rights to make all decisions regarding, and to carry out, its own business operations independently. The Company (through its own subsidiaries) holds or enjoys the benefit of all relevant licences necessary to carry on the businesses, and has sufficient capital, equipment and employees to operate the business independently from the Controlling Shareholders. In addition, the organisational structure is made up of individual departments, each with specific areas of responsibilities. The Company has also established a set of internal controls to facilitate the effective operation of the business.

As disclosed in the section headed "Connected transactions" in this prospectus, Yun Lee Marine, a subsidiary of the Company, has entered into a tenancy agreement with each of Ms. Chan and Metro Key, respectively. The Directors believe that this does not, and will not affect the operational independence in light of (i) the use of the premises; and (ii) the aggregate amount of rent paid and payable by the Group under these tenancy agreements for the years ending 31 March 2019 and 2020 are estimated to be HK$276,000 and HK$207,000, respectively. Apart from these property leasing transactions, the Directors do not expect that there will be any other transactions between the Group and the Controlling Shareholders after the Listing.

Based on the above, the Directors are satisfied that the Company has been operating independently from the Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently.

COMPETING INTEREST OF THE CONTROLLING SHAREHOLDERS AND DIRECTORS

As at the Latest Practicable Date, apart from the Group's business, none of the Controlling Shareholders and the Directors had interest in any business which, directly or indirectly, competes or is likely to compete with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders (collectively, the "**Covenantors**") has entered into the Deed of Non-competition on 20 September 2018 in favour of the Company (for itself and as trustee for its subsidiaries, Eastlink Marine and Scenic Shipping), pursuant to which the Covenantors have jointly and severally, irrevocably and unconditionally undertaken and covenanted with the Company that, during the Restricted Period (as defined below), for so long as he/she/it and/or his/her/its associates, directly or indirectly, whether individually or taken together, remain a Controlling Shareholder(s) of or hold deemed interest in the Company:

(a) shall not and shall procure his/her/its associates (other than members of the Group) not to directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise), carry on, invest, participate or be engaged, hold any right or interest in or render any services to or otherwise be concerned or involved or interested, directly or indirectly, in any business which competes or may compete with or is similar to the business carried out by the Group comprising, but without limitation to, engaging in the business of (i) vessel chartering and related services (ii) ship management and (iii) any other business which is or may be in competition with the business of any members of the Group from time to time (the "**Restricted Business**");

(b) shall not, and shall cause his/her/its associates not to, take any action which constitutes a direct or indirect interference with or a disruption of the Restricted Business including, but not limited to:

(i) at any time induce or attempt to induce any director, manager or employee or consultant of any member of the Group to terminate his or her employment or consultancy (as appropriate) with the Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as appropriate);

(ii) at any time employ any person who has been a director, manager, employee of or consultant to any member of the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business;

(iii) alone or jointly with any other person, or as manager, advisor, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of the Group, canvass, or solicit or accept orders from or do business with any person with whom any member of the Group has done business or solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Restricted Business to cease to deal with the Group or reduce the amount of business which the person would normally do with the Group or seek to improve their terms of trade with any member of the Group; and

(iv) for any purpose, use or make use of any Intellectual Property Rights of or relating to any member of the Group or use or do anything which is intended or is likely to be confused with any of the Intellectual Property Rights of or relating to any member of the Group; and

(c) in the event that he/she/it and/or any of his/her/its associates and/or persons to whom any of the Covenantors provides financial assistance to set up and operate the Restricted Business (the "**Controlled Persons**") becomes aware of, is offered to engage in any potential business opportunity which falls under the category of Restricted Business ("**New Business Opportunity**") or become interested in a Restricted Business, whether directly or indirectly, he/she/it:

(i) shall promptly notify the Company in writing, refer the New Business Opportunity to the Company for consideration and provide the Company with any relevant information in respect of the New Business Opportunity so that the Company can make an informed assessment of the New Business Opportunity; and

(ii) shall not and shall procure that his/her/its associates and/or Controlled Persons shall not, invest or participate in any New Business Opportunity unless the New Business Opportunity shall have been rejected by the Company within 30 days upon separate review by the independent non-executive Directors and the principal terms of which each of the Covenantors and/or his/her/its associates and/or Controlled Persons invest(s) or participate(s) are no more favourable than those made available to the Company.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in full force and be terminated upon the earlier of:

(a) the date on which the relevant Covenantor and/or his/her/its close associates cease to be the Controlling Shareholder and/or Director(s) of the Company; or

(b) the date on which the securities of the Company cease to be listed on the Stock Exchange or any other stock exchange recognised under the SFO; or

(c) the date on which the Company ceases to engage in the Restricted Business (collectively the "**Restricted Period**").

Nothing in the Deed of Non-competition shall prevent the Controlling Shareholders or any of their close associates from carrying on any business whatsoever other than the Restricted Business.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition:

(i) the independent non-executive Directors shall be responsible for deciding, without attendance by any executive Directors (except as invited by the independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Directors participating in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up the New Business Opportunity referred to the Company under the terms of the Deed of Non-competition;

(ii) the independent non-executive Directors may employ an independent financial advisor as they consider necessary to advise them on the terms of any New Business Opportunity and/or the options available;

(iii) the independent non-executive Directors shall review, on an annual basis, the implementation of the Deed of Non-competition, the compliance of the non-competition undertakings given by each of the Covenantors referred to in the paragraph headed "Deed of Non-competition" in this section, and any decisions in relation to the New Business Opportunity, and state their basis and reasons in the Company's annual report;

(iv) the independent non-executive Directors shall be granted full access of financial information and other information they request from the managers of the Company and the Covenantors in order to make an informed decision. The independent non-executive Directors shall make each decision based on any factors they consider appropriate and which they consider is beneficial to the Group;

(v) the Directors shall continue disclosing details of any potential competing interests in the Company's annual reports to its Shareholders after completion of the Share Offer;

(vi) the Directors shall disclose any new details concerning any potential competition disclosed in the Prospectus in the Company's annual reports to its Shareholders; and

(vii) the compliance adviser of the Company shall provide the Company with professional advice on compliance of continuing obligations under the Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Listing Rules.

DIRECTORS

The Board consists of two executive Directors and three independent non-executive Directors. The following table sets forth the information regarding the members of the Board:

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. WEN Tsz Kit Bondy (温子傑)	51	15 November 1994	7 March 2018	Executive Director, chairman of the Board and chief executive officer	Overall management of the Group's operations and business development	Spouse of Ms. Chan Son of Mr. Chow's cousin
Ms. CHAN Sau Ling Amy (陳秀玲)	48	1 April 1995	7 March 2018	Executive Director	Overall management of the Group's finance and administrative matters	Spouse of Mr. Wen
Mr. LIU Hon Por Francis (廖漢波)	64	20 September 2018	20 September 2018	Independent non-executive Director	Provide independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. WU Tai Cheung (胡大祥)	61	20 September 2018	20 September 2018	Independent non-executive Director	Provide independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. FU Bradley (符基業)	34	20 September 2018	20 September 2018	Independent non-executive Director	Provide independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil

Executive Directors

Mr. WEN Tsz Kit Bondy (温子傑), aged 51, is an executive Director, the chairman of the Board, the chief executive officer of the Company and one of the Controlling Shareholders. Mr. Wen is the co-founder of the Group, he was appointed as a Director on 7 March 2018 and was re-designated as an executive Director on 7 March 2018. Mr. Wen is primarily responsible for the overall management of the Group's operations and business development. He is also a director of (i) Yun Lee (BVI); (ii) Yun Lee Tug Boat; (iii) Eastlink Marine; (iv) Universal Marine; (v) KMY Marine; (vi) Yun Lee Marine; and (vii) MKK Marine. Mr. Wen is the spouse of Ms. Chan and the son of Mr. Chow's cousin.

Mr. Wen has over 20 years of experience in the maritime services industry in Hong Kong. Mr. Wen founded Yun Lee Tug Boat, being the subsidiary of the Group with the longest operating history, with his father, Mr. Wen Yiu Pui, in November 1994 and has been responsible for the overall management of the Group's operations and business development since then.

Mr. Wen has been examined by the Marine Department and has been considered competent to take charge of a powered vessel of 60 tons and under as Master from January 1993 and to take charge of a motor over 150 B.H.P. from November 1991. He also holds the Certificate of Competency in Radiotelephony issued in May 1987.

Mr. Wen currently holds the following public offices:

Name of body	Position	Appointment date
The Chinese People's Political Consultative Conference Tenth Beihai Committee (中國人民政治協商會議第十屆北海市委員會)	Committee member	September 2016
The Local Vessels Advisory Committee of the Marine Department	Member (Launch & Excursion Vessels' Operations)	December 2016
Hong Kong & Kowloon Motor Boats & Tug Boats Association Limited	President	August 2017

Mr. Wen was a director of the following company that was incorporated in Hong Kong, and subsequently dissolved pursuant to section 291AA(9) of the Predecessor Companies Ordinance. Mr. Wen confirmed that the company was solvent at time of its dissolution and that its dissolution had not resulted in any liability or obligation against him. The following details the aforementioned company that was dissolved:

Name of company	Nature of business	Status	Date of dissolution
Hong Kong Motor Launches Oil Company Limited (香港電船拖輪石油有限公司)	To provide supply services of marine light diesel oil and various types of oil and LPG	Dissolved by deregistration	20 June 2014

During the three years immediately preceding the Latest Practicable Date, Mr. Wen has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. CHAN Sau Ling Amy (陳秀玲), aged 48, is an executive Director and one of the Controlling Shareholders. Ms. Chan was appointed as a Director on 7 March 2018 and was re-designated as an executive Director on 7 March 2018. She is primarily responsible for the overall management of the Group's finance and administrative matters. She is also a director of (i) Yun Lee (BVI); (ii) Yun Lee Tug Boat; (iii) Universal Marine; and (iv) Yun Lee Marine. Ms. Chan is the spouse of Mr. Wen.

Ms. Chan has over 20 years of experience in the maritime services industry in Hong Kong. She obtained a national diploma in hotel, catering and institutional operations issued by Tresham College in the United Kingdom in June 1992. Ms. Chan joined the Group in April 1995 and has been responsible for the overall management of the Group's finance and administrative matters since then.

During the three years immediately preceding the Latest Practicable Date, Ms. Chan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. LIU Hon Por Francis (廖漢波), aged 64, was appointed as an independent non-executive Director on 20 September 2018. He is primarily responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct.

Mr. Liu has over 27 years of experience in the marine industry in Hong Kong. He obtained a Certificate for Navigating Officer Cadets from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1974 and a Master of Business Administration (M.B.A.) from the University of Ottawa in Canada in May 1997. Mr. Liu joined the Marine Department as a marine officer in April 1986. He was promoted to principal marine officer in November 1996, to assistant director of marine in June 2004 and to deputy director of marine in February 2008. His last position held in the Marine Department from November 2011 to February 2014 was director of marine. Mr. Liu holds the Certificate of Competency (Deck Officer) Class 1 (Master Mariner) registered at the Marine Department which was issued in May 1984.

Mr. Liu was a director of the following company that was incorporated in Hong Kong, and subsequently dissolved by striking off pursuant to section 291A(1) of the Predecessor Companies Ordinance. Mr. Liu confirmed that the dissolution of such company had not resulted in any liability or obligation against him. The following details the aforementioned company that was struck off:

Name of company	Nature of business	Status	Date of dissolution
St. Francis Of Assisi's Caritas School Management Committee Limited (聖方濟愛德小學校董會有限公司)	Running a school management committee	Dissolved by striking off	1 March 2013

During the three years immediately preceding the Latest Practicable Date, Mr. Liu has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. WU Tai Cheung (胡大祥), aged 61, was appointed as an independent non-executive Director on 20 September 2018. He is primarily responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct.

Mr. Wu has over 35 years of experience in accounting and corporate finance. He obtained a Bachelor of Arts in Accountancy from Bolton Institute of Higher Education (currently known as the University of Bolton) in the United Kingdom in October 2002 and a Master of Business Administration from The University of Newcastle in Australia in December 2004. Mr. Wu has been (i) a Member and a Fellow of The Association of Chartered Certified Accountants since December 2002 and December 2007, respectively; (ii) an Associate of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 2003; (iii) an Associate of The Taxation Institute of Hong Kong since November 2003; (iv) an Associate of The Hong Kong Institute of Chartered Secretaries since October 2008; and (v) an Associate of The Institute of Chartered Secretaries and Administrators since October 2008. He worked at Peat, Marwick, Mitchell & Co., an accounting firm which later merged into KPMG, from October 1977 to May 1985 and his last position held was an assistant manager. He was the company secretary and head of internal audit of Pacific Textiles Limited, a wholly-owned subsidiary of Pacific Textiles Holdings Limited (stock code: 1382), from October 2006 to March 2010.

Mr. Wu previously held the following positions in companies listed on the Stock Exchange:

Name of company	Stock code	Position	Appointment date	Resignation date
Zhongda International Holdings Limited	909	Financial controller and company secretary	April 2002	March 2004
Zhejiang Shibao Company Limited	1057	Financial controller and company secretary	April 2005	September 2006
Pacific Textiles Holdings Limited	1382	Company secretary	September 2007	April 2010
China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited)	1269	Company secretary	October 2011	February 2012
Shenyang Public Utility Holdings Company Limited	747	Joint company secretary (previously was the company secretary appointed in May 2013)	May 2014	August 2018

As at the Latest Practicable Date, Mr. Wu holds the following positions in companies listed on the Stock Exchange:

Name of company	Stock code	Position	Appointment date
Yee Hop Holdings Limited	1662	Chief financial officer and company secretary	June 2015
Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Company Limited)	1194	Independent non-executive director	October 2016

Mr. Wu was a director of the following companies that were incorporated in Hong Kong, and subsequently dissolved pursuant to section 291AA(9) of the Predecessor Companies Ordinance. Mr. Wu confirmed that the dissolution of these companies had not resulted in any liability or obligation against him. The following details the aforementioned companies that were dissolved:

Name of company	Nature of business	Status	Date of dissolution by deregistration
3e Manufacturing Company Limited (香港新意製造有限公司)	Did not commence business	Dissolved by deregistration	28 January 2005
Cetro Services Limited	Did not commence business	Dissolved by deregistration	25 November 2005
Croydon Corporate Services Limited	Property holding	Dissolved by deregistration	7 September 2012
Croydon Enterprises Limited (康通企業有限公司)	Did not commence business	Dissolved by deregistration	22 January 2010
Forward Pace Enterprises Limited (富活行有限公司)	Trading and provision of merchandising services	Dissolved by deregistration	29 July 2011

Save as disclosed above, Mr. Wu did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. FU Bradley (符基業), aged 34, was appointed as an independent non-executive Director on 20 September 2018. He is primarily responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct.

Mr. Fu has over 11 years of experience in real estate investment, advisory and asset management. He obtained a Bachelor of Science from the Leonard N. Stern School of Business at the New York University in the United States in May 2006. Mr. Fu has been a member of the Urban Land Institute since June 2013. From March 2007 to February 2009, he was a member of the debt capital markets division at DBS Bank Limited, HK Branch and DBS Asia Capital Limited where he was engaged in the origination of real estate investment trusts. Mr. Fu has worked at APG Asset Management Asia, Limited from April 2009 to March 2015 and his last position was portfolio manager in the Non-listed

Real Estate Asia team. Mr. Fu worked at Anbang Capital (Hong Kong) Co., Limited from April 2015 to January 2016. Mr. Fu worked at Anbang Asset Management (Hong Kong) Co. Limited from January 2016 to July 2018 where he was a responsible officer licensed to carry out Type 9 (asset management) of the regulated activity under the SFO from November 2016 to July 2018 and his last position was head of real estate, director in real estate department. Since August 2018, Mr. Fu has been working as the Head of Acquisitions, Private Real Estate Equity — Asia Pacific at Heitman International HK Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) of the regulated activities under the SFO.

During the three years immediately preceding the Latest Practicable Date, Mr. Fu has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed, each of the Directors (i) did not hold other positions in the Company or other members of the Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, Controlling Shareholders or Substantial Shareholders of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed "Substantial Shareholders" in this prospectus and the sub-section headed "Statutory and general information — C. Further information about Directors and Substantial Shareholders — 1. Disclosure of interests — (a) Interests of Directors and chief executive" in Appendix IV to this prospectus, each of the Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management team of the Group:

Name	Age	Date of joining the Group	Position	Relationship with other Director(s) and/or senior management
Mr. CHEUNG Tai Kee (張大基)	65	22 August 2014	Director — MKK Marine	Nil
Mr. CHOW Wai Ming (周偉明)	53	15 November 1994	Senior manager	Cousin of Mr. Wen's father
Mr. MUI Yuk Wah (梅育華)	34	1 April 2018	Financial controller and company secretary	Nil

Mr. CHEUNG Tai Kee (張大基), aged 65, is a director of MKK Marine. He first joined the Group in August 2014 as a director of MKK Marine. He is primarily responsible for the overall management of the Group's ship management services.

Mr. Cheung has approximately 30 years of experience in the marine industry. He obtained a Bachelor of Science in Maritime Business from Polytechnic South West (now known as Plymouth University), United Kingdom in July 1991. Mr. Cheung joined the Marine Department as a marine officer in July 1988 and was sent to attend the second and third year of a Bachelor of Science Combined Honours Degree Course in Marine Studies at the Plymouth Polytechnic South West, Institute of Marine Studies UK under the Hong Kong Government Training Scholarship Scheme in the United Kingdom from October 1989 to July 1991. He left the Marine Department in May 1994 and his last position held was a surveyor of ships (nautical). Prior to joining the Group, Mr. Cheung was a licensed Senior Harbour Pilot of Hong Kong Pilots Association Limited from November 1994 to July 2015. He previously held the Certificate of Competency (Deck Officer) Class 1 (Master Mariner) issued by the Government of the United Kingdom of Great Britain and Northern Ireland in January 1987, which was later replaced by the Certificate of Competency issued under the Provisions of The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers 1978, as amended in 1995, issued in August 2003. Mr. Cheung is currently an authorised surveyor pursuant to section 7 of the Merchant Shipping (Local Vessels) Ordinance for a period of three years from October 2017.

Mr. Cheung currently holds the following public offices:

Name of body	Position held	Appointment date
The Local Vessels Advisory Committee of the Marine Department	Member (Authorised Surveyor)	November 2017
The Port Operations Committee of the Marine Department	Committee member	August 2016

Mr. Cheung was a director of the following company that was incorporated in Hong Kong, and subsequently dissolved pursuant to section 291AA(9) of the Predecessor Companies Ordinance. Mr. Cheung confirmed that the dissolution of such company had not resulted in any liability or obligation against him. The following details the aforementioned company that was dissolved:

Name of company	Nature of business	Status	Date of dissolution by deregistration
Mark Holdings Limited (榮杰有限公司)	Shipping and logistics	Dissolved by deregistration	30 October 2009

Mr. Cheung did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. CHOW Wai Ming (周偉明), aged 53, is a senior manager of the Group. He first joined the Group in November 1994 as a manager and subsequently promoted to senior manager in January 2009. Mr. Chow is primarily responsible for the overall management of the Group's vessel chartering and related services. He is also a director of MKK Marine. Mr. Chow is the cousin of Mr. Wen's father.

Mr. Chow has over 20 years of experience in the maritime services industry. He has been examined by the Marine Department and has been considered competent to take charge of a motor over 150 B.H.P. from March 1995. He also holds the Local Certificate of Competency — Coxswain and Pleasure Vessel Operator Certificate of Competency, both issued by the Marine Department, in December 2013 and January 2014, respectively. Furthermore, Mr. Chow holds (i) a Certificate of Training for Shipboard Crane Operator Safety Training Course issued by Origin Production Limited T/A The Hong Kong Safety Training Association in December 2015, which indicates that Mr. Chow could operate crane types one to five; (ii) a Certificate of Training for Works Supervisor Safety Training Course issued by Origin Production Limited T/A The Hong Kong Safety Training Association in April 2016, which indicates that Mr. Chow could supervise shipboard cargo handling work; and (iii) a Certificate of Competent Person and Certified Worker issued by Occupational Safety & Health Management Institute in April 2016. Mr. Chow has also been the Honorary President of The Institute of Port Facility Security Officers (Hong Kong) since May 2016.

Mr. Chow did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

Mr. MUI Yuk Wah (梅育華), aged 34, is the financial controller and company secretary of the Company. He joined the Group in 2018 and is primarily responsible for the financial reporting and financial control matters, and the company secretarial matters of the Group.

Mr. Mui has over 10 years of experience in auditing, accounting and handling company secretarial matters. He obtained a Bachelor of Social Science in Economics from The Chinese University of Hong Kong in December 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since October 2012. Mr. Mui worked at KPMG, an international accounting firm, from July 2007 to February 2016 and his last position held was senior manager.

Mr. Mui previously held the following positions in companies listed on the Stock Exchange:

Name of company	Stock code	Position	Appointment date	Resignation date
Aurum Pacific (China) Group Limited	8148	Company secretary	February 2016	August 2016
		Executive director	February 2016	March 2017
HongDa Financial Holding Limited	1822	Company secretary	May 2017	November 2017

Save as disclosed above, Mr. Mui did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

COMPANY SECRETARY

Mr. MUI Yuk Wah (梅育華) was appointed as the company secretary of the Company on 24 April 2018. Please refer to his biography under the sub-section headed "Senior management" in this section.

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the Share Option Scheme.

BOARD COMMITTEES

Audit committee

The Company established the audit committee on 20 September 2018 with written terms of reference in compliance with the Listing Rules. The audit committee consists of three members, namely Mr. Liu Hon Por Francis, Mr. Wu Tai Cheung and Mr. Fu Bradley, of which Mr. Wu Tai Cheung currently serves as the chairman. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year reports and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing the Company's financial reporting process and internal control system.

Remuneration committee

The Company established the remuneration committee on 20 September 2018. The remuneration committee consists of three members, namely Mr. Liu Hon Por Francis, Mr. Wu Tai Cheung and Mr. Fu Bradley, of which Mr. Fu Bradley currently serves as the chairman. Written terms of reference in compliance with the Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company.

Nomination committee

The Company established the nomination committee on 20 September 2018. The nomination committee consists of three members, namely Mr. Liu Hon Por Francis, Mr. Wu Tai Cheung and Mr. Fu Bradley, of which Mr. Liu Hon Por Francis currently serves as the chairman. Written terms of reference in compliance with the Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Wen, an executive Director, is the chairman of the Board and the chief executive officer of the Company. With over 20 years of experience in the maritime industry in Hong Kong, Mr. Wen has been responsible for the overall management of the Group's operations and business development and has been instrumental to the Group's growth and business expansion since November 1994. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Wen) and three independent non-executive Directors and therefore has a strong independence element in its composition. Save as disclosed above, the Group is in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Messis Capital as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, the Company will consult and seek advice from the compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by the Company, including share issues and share repurchases;

(iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate (if any) or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), each of the following persons will have an interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name	Capacity/ Nature of Interest	Number of Shares held as at the date of this prospectus	Percentage of shareholding in the Company as at the date of this prospectus	Number of Shares held immediately following the completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding in the Company immediately following the completion of the Capitalisation Issue and the Share Offer
Kitling (BVI)	Beneficial owner	18,134	90.67%	628,858,750	62.89%
Mr. Wen *(Note 1)*	Interest in a controlled corporation and interest of spouse	18,134	90.67%	628,858,750	62.89%
Ms. Chan *(Note 1)*	Interest in a controlled corporation and interest of spouse	18,134	90.67%	628,858,750	62.89%
Mr. Cheung *(Note 2)*	Beneficial owner	1,066	5.3%	40,641,250	4.06%
Novel Choice	Beneficial owner	Nil	Nil	50,000,000	5.0%
Mr. Tang *(Note 3)*	Interest in a controlled corporation	Nil	Nil	50,000,000	5.0%

Notes:

1. Immediately after completion of the Capitalisation Issue and Share Offer, Kitling (BVI) will be the registered and beneficial owner holding approximately 62.89% of the issued share capital of the Company. Kitling (BVI) is a company owned as to 70% by Mr. Wen and 30% by Ms. Chan. Mr. Wen is the spouse of Ms. Chan. Therefore, Mr. Wen and Ms. Chan are deemed to be interested in 628,858,750 Shares (representing approximately 62.89% of the issued share capital of the Company) held by Kitling (BVI) under the SFO.

2. Immediately after completion of the Capitalisation Issue and the Share Offer, Mr. Cheung will be interested in 40,641,250 Shares (representing approximately 4.06% of the issued share capital of the Company), hence Mr. Cheung will cease to be a substantial shareholder for the purpose of the SFO.

3. Mr. Tang is the sole shareholder of Novel Choice, hence Mr. Tang is deemed to be interested in 50,000,000 Shares (representing 5.0% of the issued share capital of the Company) held by Novel Choice under the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE CAPITAL

The following is a description of the share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme:

Authorised share capital		*HK$*
5,000,000,000	Shares of par value HK$0.01 each	50,000,000
Issued and to be issued, fully paid or credited as fully paid		*HK$*
20,000	Shares in issue as at the date of this prospectus	200
812,480,000	Shares to be issued pursuant to the Capitalisation Issue	8,124,800
187,500,000	Shares to be issued pursuant to the Share Offer	1,875,000
1,000,000,000	Total Share issued and to be issued upon completion of the Capitalisation Issue and the Share Offer	10,000,000

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of the Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of the Company upon Listing.

RANKING

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 20 September 2018. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to this prospectus. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of the Shareholders passed on 26 February 2019, conditional upon the Company's execution of the Public Offer Underwriting Agreement, the Directors were authorised to capitalise HK$7,624,800 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par, 762,480,000 Shares (including the 62,500,000 Sale Shares) for allotment and issuance as fully paid up Shares to Kitling (BVI) (691,340,616 Shares), Mr. Chow (30,499,200 Shares) and Mr. Cheung (40,640,184 Shares). In addition, upon the exercise of the Exchangeable Note, 50,000,000 Shares, credited as fully paid, will be allotted and issued to Novel Choice. The aforesaid Shares allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the then existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

(a) 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme); and

(b) the number of Shares repurchased pursuant to the authority granted to the Directors referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the allotment and issuance of Shares, please refer to the section headed "Statutory and general information — A. Further information about the Company — 4. Written resolutions passed by the Shareholders on 20 September 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus, the Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange under the Takeover Codes for this purpose) with an aggregate number of not more than 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange under the Takeover Codes for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and general information — A. Further Information about the Company — 7. Buy-back of the Company's own securities" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the section headed "Statutory and general information — A. Further information about the Company — 4. Written resolutions passed by the Shareholders on 20 September 2018" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, the Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, see "Summary of the constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — 2(a)(iii) Alteration of capital" in Appendix III to this prospectus. Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see "Summary of the constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — 2(a)(ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

You should read this section in conjunction with the Group's audited historical financial information as at and for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, including the notes thereto, as set forth in the Accountants' Report. The Group's consolidated financial statements have been prepared in accordance with the accounting policies which conform with HKFRS(s). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect of future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the Group does not have control. For further information, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

The Group is a maritime services provider in Hong Kong. Services of the Group include (i) vessel chartering and related services, which include time charter services, voyage charter services and other maritime related services; and (ii) ship management. During the Track Record Period, the Group provided its vessel chartering services mainly to contractors for construction projects in Hong Kong and all of the Group's revenue was generated from Hong Kong.

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's revenue generated from (i) vessel chartering and related services amounted to approximately HK$137.1 million, HK$162.6 million, HK$187.8 million and HK$78.8 million, respectively; and (ii) ship management amounted to approximately HK$11.3 million, HK$27.7 million, HK$25.3 million and HK$12.8 million, respectively. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by business segments:

	Year ended 31 March						**Six months ended 30 September**			
	2016		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Vessel chartering and related services	137,067	92.4	162,644	85.4	187,792	88.1	100,040	89.0	78,759	86.0
Ship management	11,306	7.6	27,748	14.6	25,256	11.9	12,377	11.0	12,781	14.0
Total	148,373	100.0	190,392	100.0	213,048	100.0	112,417	100.0	91,540	100.0

BASIS OF PRESENTATION

Prior to the Share Offer, the Group had undergone the Reorganisation after which the Company has become the holding company of the companies now comprising the Group on 14 September 2018. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus for details.

The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the Track Record Period, have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where it is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

KEY FACTORS AFFECTING THE GROUP'S FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The Group's financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this prospectus.

Economic conditions and level of construction activities in Hong Kong

The demand of the Group's vessel chartering services is substantially driven by the level of construction activities in Hong Kong. As the Group's revenue is mainly attributable to the customers engaged in construction works, its results of operations are dependent on the level of construction and infrastructure projects in Hong Kong. There is no assurance that the number of construction projects will sustain in the future. In the event that the demand of Group's vessel chartering services decreases as a result of the reduction in the number of construction and infrastructure projects in Hong Kong, the Group's business in general and its results of operations may be adversely and materially affected.

The Group's ability to renew the charterparties with the owners of the Group's chartered vessels

The Group's vessel fleet comprised of self-owned vessels and chartered vessels, where the Group and third-party vessel owners entered into charterparties for the hiring of the vessels. As such, the Group's growth and profitability are partially dependent on its ability to charter vessels to provide time charter services and voyage charter services to its customers. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's vessel chartering costs amounted to approximately HK$80.6 million, HK$87.6 million, HK$96.2 million and HK$32.1

million, respectively, representing approximately 69.4%, 62.6%, 63.3% and 52.8% of the Group's total cost of revenue, respectively. In the event that the Group is not able to secure suitable third-party vessel owners for the hiring of vessels at an acceptable fee, the Group may incur extra costs and hence its financial performance and reputation may be adversely affected.

The Group's employees and staff costs and related expenses

The Group's total staff costs and related expenses, including the Directors' remuneration and benefits, were approximately HK$25.5 million, HK$41.5 million, HK$41.4 million and HK$18.2 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, representing approximately 17.2%, 21.8%, 19.4% and 19.9% of its revenue, respectively.

The Directors believe that its success and growth depend on the executive Directors, senior management and other staff of the Group with relevant industry expertise. Should the Group fail to retain its employees, the Group's capability to provide quality services to its customers may be adversely affected. This would reduce the Group's competitiveness and adversely affect its profitability and financial performance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of the Group's significant accounting policies are set forth in note 4 to the Accountants' Report in this prospectus. The Group's consolidated financial information has been prepared in accordance with accounting policies which conform with HKFRSs. In the application of the Group's accounting policies, the Directors 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 associated 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 on-going basis. Revisions to the 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 the current and future periods.

Below is a summary of the critical judgments in applying accounting policies and the key source of estimation uncertainty that the Directors believe are important during the preparation of the Group's historical financial information.

Application of new HKFRSs

For the purpose of preparing and presenting the Group's historical financial information for the Track Record Period, the Group has consistently adopted the HKFRSs, HKASs, amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2018 throughout the Track Record Period except that the Group adopted HKFRS 9 "Financial Instruments" on 1 April 2018 and HKAS 39 "Financial Instruments: Recognition and Measurement" for each of the three years ended 31 March 2018.

Impact of the application of new HKFRSs

During the six months ended 30 September 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("**ECL**") for financial assets; and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information. The measurement requirements of the Group's loan and receivables under HKAS 39 continues to measure at amortised cost under HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, the Group's trade receivables have been grouped based on shared credit risk characteristics while loss allowances for other financial assets at amortised cost, which mainly comprise other receivables and deposit and bank balances, are measured on 12-month ECL basis. Based on the Group's financial information as at 1 April 2018, the Directors concluded that there is no additional allowance on impairment upon the application of HKFRS 9 as the ECL is not material.

The Group had elected to consistently apply HKFRS 15 "Revenue from Contracts with Customers" throughout the Track Record Period. The Directors are of the view that, had HKAS 18 "Revenue" been consistently applied throughout the Track Record Period, there would have been no significant change in the financial position and performance of the Group. The adoption of HKFRS 15 as compared to HKAS 18 had resulted in more disclosures in the historical financial information of the Group throughout the Track Record Period.

Critical judgments in applying accounting policies

Control over KMY Marine and MKK Marine

The Group had only approximately 33.3% and 30.0% ownership interests in KMY Marine and MKK Marine, respectively, as at 31 March 2016 and 2017. The Directors assessed whether or not the Group had control over KMY Marine and MKK Marine throughout the Track Record Period according to HKFRS10 "Consolidated Financial Statements".

(i) Assessment of control over KMY Marine

KMY Marine was principally engaged in provision of vessel chartering services throughout the Track Record Period. On 5 December 2012, KMY Marine, Mr. Wen, Mr. Chow and Mr. Ng Wing Yiu entered into a shareholders' agreement ("**KMY Marine Shareholders' Agreement**") to formally regulate the management, business and affairs of KMY Marine. At the date of the KMY Marine Shareholders' Agreement, KMY Marine was owned as to 33.3% (4,500 shares) by Mr. Wen, 33.3% (4,500 shares) by Mr. Chow and 33.3% (4,500 shares) by Mr. Ng Wing Yiu. Pursuant to the KMY Marine Shareholders' Agreement, all parties agreed that:

— Mr. Wen is responsible for the overall management and determining the overall policies and objectives of KMY Marine and managing the day-to-day running of the business of KMY Marine;

— Mr. Wen has the right to appoint and remove any director of KMY Marine from time to time; and

— Mr. Wen was designated as the chairman of the board of directors of KMY Marine whereas Mr. Chow and Mr. Ng Wing Yiu agreed to vest all the management rights and decision-making powers in respect of KMY Marine in Mr. Wen. Mr. Wen is entitled to a casting vote in all decisions of the board of directors of KMY Marine.

As Mr. Chow and Mr. Ng Wing Yiu merely acted as passive investors of KMY Marine in return for potential dividend in the future, they decided to vest all the management rights and decision-making powers in respect of KMY Marine in Mr. Wen through entering into the KMY Marine Shareholders' Agreement in 2012. During the Track Record Period, Mr. Wen was responsible for the overall management and decision-making of the vessel chartering business in KMY Marine which entitled him to direct all the relevant activities of KMY Marine.

During the Track Record Period, the KMY Marine Shareholders' Agreement was put into practice as evidenced by an internal meeting minutes of KMY Marine. Matters relating to the operations and major development of KMY Marine's business were solely considered by Mr. Wen, in particular Mr. Wen initiated the acquisition of a tug and entered into the acquisition agreement of such tug on behalf of KMY Marine in October 2016. Since then, the amounts of return of KMY Marine were driven by the revenue generated from its vessel chartering services provided through such tug to the Group's customers.

For illustration purposes, the following table sets forth the key financial information of KMY Marine during each of the three years ended 31 March 2018 as extracted from the Group's historical financial information:

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	1,225	2,653
(Loss)/profit for the year	(9)	25	327

Based on the above, the KMY Marine Shareholders' Agreement entitled Mr. Wen to direct the relevant activities of KMY Marine and affect the amount of the return of KMY Marine. For further details of the history and development of KMY Marine, please refer to the section headed "History, Reorganisation and corporate structure — The Group — (v) KMY Marine" in this prospectus.

(ii) Assessment of control over MKK Marine

MKK Marine was principally engaged in provision of ship management services throughout the Track Record Period. On 22 August 2014, the date of incorporation, MKK Marine was owned as to 50% (5,000 shares) by Mr. Wen and 50% (5,000 shares) by Mr. Cheung. Subsequently, on 28 July 2015, MKK Marine allotted and issued 1,000, 3,000 and 6,000 new shares, respectively, at a consideration of HK$1,000, HK$3,000 and HK$6,000 to Mr. Wen, Mr. Cheung and Mr. Chow, respectively, and the equity interest held by Mr. Wen was reduced from 50% to 30%. In order to formally regulate the management, business and affairs of MKK Marine, MKK Marine, Mr. Wen and Mr. Cheung entered into a first shareholders' agreement on 22 August 2014, and subsequently on 28 July 2015, MKK Marine, Mr. Wen, Mr. Cheung and Mr. Chow entered into a second shareholders' agreement (together with the first shareholders' agreement, collectively referred to as the "**MKK Marine Shareholders' Agreements**"). Pursuant to the MKK Marine Shareholders' Agreements, all parties agreed that:

— Mr. Wen is responsible for the overall management and determining the overall policies and objectives of MKK Marine and managing the day-to-day running of the business of MKK Marine;

— Mr. Wen has the right to appoint and remove any director of MKK Marine from time to time; and

— Mr. Wen was designated as the chairman of the board of directors of MKK Marine whereas Mr. Cheung and Mr. Chow agreed to vest all the management rights and decision-making powers in respect of MKK Marine in Mr. Wen. Mr. Wen is entitled to a casting vote in all decisions of the board of directors of MKK Marine.

As Mr. Cheung and Mr. Chow merely acted as passive investors of MKK Marine in return for potential dividend in the future, therefore, they decided to vest all the management rights and decision-making powers in respect of MKK Marine in Mr. Wen through entering into the MKK Marine Shareholders' Agreements in 2014 and 2015, respectively. During the Track Record Period, Mr. Wen was responsible for the overall management and decision-making of the ship management business in MKK Marine which entitled him to direct all the relevant activities of MKK Marine.

During the Track Record Period, the MKK Marine Shareholders' Agreements were put into practice as evidenced by certain transaction documents including the fees incurred by MKK Marine in connection to the survey and berthing of vessels. Matters relating to the preparation work for the initiation of the ship management business, daily operations and major development of MKK Marine's business were solely approved by Mr. Wen. MKK Marine generated a stable level of revenue through a long-term ship management contract with one of the Group's major customers. Accordingly, the amounts of return are solely driven by the ship management business of MKK Marine.

For illustration purposes, the following table sets forth the key financial information of MKK Marine during each of the three years ended 31 March 2018 as extracted from the Group's historical financial information:

	For the year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	11,306	27,748	25,256
Profit for the year	1,678	8,385	5,330

Based on the above, the MKK Marine Shareholders' Agreements entitled Mr. Wen to direct the relevant activities of MKK Marine and affect the amount of the return of MKK Marine. For further details of the history and development of MKK Marine, please refer to the section headed "History, Reorganisation and corporate structure — The Group — (vii) MKK Marine" in this prospectus.

Based on the above assessments and taking into account that (i) Mr. Wen has the right to appoint and remove any director of KMY Marine and MKK Marine from time to time; and (ii) Mr. Wen is entitled to a casting vote in all decisions of the board of directors of KMY Marine and MKK Marine, Mr. Wen has sufficient dominant voting interest to direct the relevant activities of both KMY Marine and MKK Marine. As such, Mr. Wen has the ability to affect the returns of KMY Marine and MKK Marine which in turn affects the Group's return. Therefore, the Directors concluded that the Group has control over KMY Marine and MKK Marine throughout the Track Record Period.

Key sources of estimation uncertainty

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The Group assesses annually the residual values and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation charge in the period in which such estimate is changed and in future periods. As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, the carrying amounts of the Group's property, plant and equipment were HK$21.5 million, HK$26.6 million, HK$24.9 million and HK$23.8 million, respectively.

SUMMARY OF RESULTS OF OPERATIONS

The Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report and should be read in conjunction with them.

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	148,373	190,392	213,048	112,417	91,540
Cost of revenue	(116,107)	(139,898)	(152,070)	(79,308)	(60,777)
Gross profit	32,266	50,494	60,978	33,109	30,763
Other income	287	887	1,337	979	769
Other gains and losses	—	5	3,920	—	—
Administrative expenses	(13,970)	(18,268)	(19,813)	(8,926)	(10,980)
Finance costs	(68)	(121)	(50)	(27)	(7)
Share of results of associates	—	519	1,563	842	415
Listing expenses	—	—	(3,886)	—	(8,244)
Profit before taxation	18,515	33,516	44,049	25,977	12,716
Income tax expenses	(3,441)	(5,464)	(7,880)	(4,350)	(3,366)
Profit and total comprehensive income for the year/period	15,074	28,052	36,169	21,627	9,350
Profit and total comprehensive income for the year/period attributable to:					
— owners of the Company	10,644	22,162	32,398	19,322	9,350
— non-controlling interests	4,430	5,890	3,771	2,305	—
	15,074	28,052	36,169	21,627	9,350

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Group's revenue amounted to approximately HK$148.4 million, HK$190.4 million, HK$213.0 million and HK$91.5 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by business segments:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Vessel chartering and related services	137,067	92.4	162,644	85.4	187,792	88.1	100,040	89.0	78,759	86.0
Ship management	11,306	7.6	27,748	14.6	25,256	11.9	12,377	11.0	12,781	14.0
Total	148,373	100.0	190,392	100.0	213,048	100.0	112,417	100.0	91,540	100.0

(i) Vessel chartering and related services

During the Track Record Period, the Group provided vessel chartering and related services mainly to contractors of construction projects in Hong Kong. The Group's revenue derived from vessel chartering and related services amounted to approximately HK$137.1 million, HK$162.6 million, HK$187.8 million and HK$78.8 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. The following table sets forth a breakdown of the Group's revenue attributable to the vessel chartering and related services segment during the Track Record Period by types of services provided in this business segment:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Time charter services	114,896	83.8	126,648	77.9	160,131	85.3	83,935	83.9	65,886	83.7
Voyage charter services	13,705	10.0	20,716	12.7	12,110	6.4	6,663	6.7	3,519	4.5
Other related services	8,466	6.2	15,280	9.4	15,551	8.3	9,442	9.4	9,354	11.8
Total	137,067	100.0	162,644	100.0	187,792	100.0	100,040	100.0	78,759	100.0

Time charter services

The Group provides time charter services to its customers on a monthly, daily or hourly basis. During the Track Record Period, the Group provided its time charter services mainly to construction companies for two of the major infrastructure projects in Hong Kong, namely the HZMB Project and the 3RS Project. The Group's revenue derived from time charter services amounted to approximately HK$114.9 million, HK$126.6 million, HK$160.1 million and HK$65.9 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, representing approximately 83.8%, 77.9%, 85.3% and 83.7% of the revenue in the vessel chartering and related services segment, respectively. During the Track Record Period, the Group mainly provided time charter services to its customers on a monthly basis, the below table sets forth a breakdown of the Group's revenue attributable to its time charter services during the Track Record Period by the basis of chartering period provided:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Time charter services provided on:										
Monthly basis	109,126	95.0	118,145	93.3	143,456	89.6	72,285	86.2	54,134	82.2
Daily basis	2,998	2.6	4,717	3.7	6,758	4.2	4,390	5.2	3,824	5.8
Hourly basis	2,772	2.4	3,786	3.0	9,917	6.2	7,260	8.6	7,928	12.0
Total	114,896	100.0	126,648	100.0	160,131	100.0	83,935	100.0	65,886	100.0

During the three years ended 31 March 2018 and the six months ended 30 September 2018, the revenue of time charter services provided on a monthly basis represented approximately 95.0%, 93.3%, 89.6% and 82.2% of the revenue derived from time charter services, respectively. The below table sets forth an analysis of the major types of vessels chartered for time charter services on a monthly basis and their average monthly chartering fees charged during the Track Record Period:

	Year ended 31 March								
	2016			2017			2018		
	Average number of vessels chartered per month	**Approximate average monthly chartering fee**	**Total revenue**	**Average number of vessels chartered per month**	**Approximate average monthly chartering fee**	**Total revenue**	**Average number of vessels chartered per month**	**Approximate average monthly chartering fee**	**Total revenue**
		HK$	*HK$' million*		*HK$*	*HK$' million*		*HK$*	*HK$' million*
Launch	35	99,600	41.8	38	93,000	42.4	33	162,300	64.5
Tug	9	197,200	21.9	10	219,000	25.4	12	265,300	39.5
Dumb lighter	16	179,600	34.7	16	194,100	36.7	8	193,800	19.2
Work boat	7	115,000	9.5	9	104,700	10.9	8	127,100	12.7
Others	2	43,000	1.2	3	91,200	2.7	3	205,200	7.6
Overall/total	70	130,700	109.1	75	132,000	118.1	65	183,400	143.5

	Six months ended 30 September					
	2017			2018		
	Average number of vessels chartered per month	Approximate average monthly chartering fee	Total revenue	Average number of vessels chartered per month	Approximate average monthly chartering fee	Total revenue
		HK$	*HK$' million*		*HK$*	*HK$' million*
			(unaudited)			
Launch	34	146,100	29.4	30	181,300	32.8
Tug	14	261,800	21.5	8	255,500	12.5
Dumb lighter	10	201,600	11.9	1	137,500	0.4
Work boat	9	108,900	5.7	6	139,200	5.2
Others	3	205,300	3.8	2	231,000	3.2
Overall/total	69	175,000	72.3	47	190,600	54.1

The time chartering fee of each vessel is generally affected by certain factors including (i) the chartering fee for each type of vessels in the market at that time; (ii) operating time during the chartering period; (iii) specification and condition of the vessels; and (iv) the operation overtime during the chartering period. During the Track Record Period, the fluctuation of average monthly chartering fee for each type of vessels was mainly attributable to the changes in vessel operating time provided during the chartering period and the increase in monthly chartering fee. The vessel operating time of monthly vessel charter services is normally ten hours per working day whereas it is adjustable due to overtime services or as agreed with customer upon entering into chartering contract.

During the Track Record Period, the Group's vessels chartered to the construction contractors of the HZMB Project ("**HZMB Contractors**") usually operated ten hours per working day whereas its vessels chartered to the construction contractors of the 3RS Project ("**3RS Contractors**") mainly operated 24 hours per day (including public holidays). Due to the longer operating time and more resources involved, the Group is able to charge its customers at a relatively higher monthly time chartering fee for its vessels operating 24 hours per day (including public holidays).

For each of the two years ended 31 March 2017, the Group's average monthly time chartering fees had remained relatively stable and amounted to approximately HK$130,700 and HK$132,000, respectively. The Group continued to provide time charter services to the HZMB Contractors throughout the two years whereas it started to provide time charter services to the 3RS Contractors in 2017.

The Group's average monthly time chartering fees had increased significantly from approximately HK$132,000 in 2017 to approximately HK$183,400 in 2018. Such increase was mainly attributable to (i) changes in vessel operating time from ten hours per working day to 24 hours per day (including public holidays) due to the significant increase in the Group's vessels chartered to the 3RS Contractors which was partially offset by the decrease in its vessels chartered to the HZMB Contractors; and (ii) the increase in monthly chartering fee in a number of vessels in the third quarter of 2017 due to the continuous increase in demand for the Group's time charter services. As the Group mainly chartered its launches and tugs to the 3RS Contractors during the year ended 31 March 2018, the average monthly time chartering fee of the Group's launch and tug had increased significantly from approximately HK$93,000 and HK$219,000 in 2017, respectively, to approximately HK$162,300 and HK$265,300 in 2018, respectively.

For each of the six months ended 30 September 2017 and 2018, the average number of vessels chartered per month were 69 vessels and 47 vessels, respectively, while the average monthly time chartering fees per vessel amounted to approximately HK$175,000 and HK$190,600, respectively. Such changes were mainly attributable to (i) the decrease in the number of vessels chartered to the HZMB Contractors during the six months ended 30 September 2018 as the HZMB Project had been substantially completed during such period, resulting in a decrease in the average number of tugs and dumb lighter chartered per month during such period; and (ii) the increase in the number of vessels chartered to the 3RS Contractors during the six months ended 30 September 2018 as the Group gradually reallocated its vessel fleet to support the 3RS Project, under which the average monthly chartering fee of launch increased from approximately HK$146,100 to approximately HK$181,300.

Voyage charter services

During the Track Record Period, the Group provided its voyage charter services mainly to construction companies and logistics companies for maritime logistic services. The Group's revenue derived from voyage charter services amounted to approximately HK$13.7 million, HK$20.7 million, HK$12.1 million and HK$3.5 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, representing approximately 10.0%, 12.7%, 6.4% and 4.5% of the revenue in the vessel chartering and related services segment, respectively. During the Track Record Period, the fluctuations of revenue generated from voyage charter services were mainly driven by the changes in number of orders received from the Group's customers.

Other related services

Apart from the vessel chartering services, the Group also provided other maritime related services during the Track Record Period, such as provision of crew members, maritime consultation services, vessel repair and maintenance services, and vessel design and modification services. The Group's revenue derived from other related services amounted to approximately HK$8.5 million, HK$15.3 million, HK$15.6 million and HK$9.4 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, representing approximately 6.2%, 9.4%, 8.3% and 11.8% of the revenue in the vessel chartering and related services segment, respectively.

(ii) Ship management

During the Track Record Period, the Group provided ship management services for two purpose built container vessels to transport the dewatered sludge in Hong Kong. The Group's revenue derived from ship management amounted to approximately HK$11.3 million, HK$27.7 million, HK$25.3 million and HK$12.8 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively.

The Group recognises revenue arising from ship management services, pursuant to the ship management contract entered into between the Group and its customer in October 2015 ("**Ship Management Contract**"), when the services are provided. Under the Ship Management Contract, the Group is responsible for operating and maintaining two purpose built container vessels in Hong Kong for a period of ten years and the relevant income is charged at a predetermined rate on a monthly basis ("**Monthly Income**"). From time to time, the Group also receives service orders from the customer to provide other related services such as provision of extra crew members.

Pursuant to the Ship Management Contract, 85% of the Monthly Income shall be adjusted by the Consumer Price Index (B) published by the Census and Statistics Department of the Government in each month and the remaining portion of the Monthly Income is not subject to this adjustment. As such, the revenue of ship management services recognised by the Group upon the services rendered in each month during the Track Record Period consisted of (a) the adjusted Monthly Income; and (b) other services income charged at rates negotiated with the customer on a case-by-case basis.

Cost of revenue

Cost of revenue of the Group primarily comprises (i) vessel chartering costs; (ii) staff costs and related expenses; (iii) subcontracting fees; (iv) repair and maintenance expenses; (v) fuel costs; (vi) depreciation expenses; and (vii) other costs. The following table sets forth a breakdown of the Group's cost of revenue during the Track Record Period:

	Year ended 31 March						**Six months ended 30 September**			
	2016		**2017**		**2018**		**2017**		**2018**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* *(unaudited)*	%	*HK$'000*	%
Vessel chartering costs	80,579	69.4	87,619	62.6	96,232	63.3	51,401	64.8	32,070	52.8
Staff costs and related expenses	16,838	14.5	30,727	22.0	29,995	19.7	15,263	19.3	12,400	20.4
Subcontracting fees	7,324	6.3	10,056	7.2	15,041	9.9	7,120	9.0	6,404	10.5
Repair and maintenance expenses	5,814	5.0	7,175	5.1	7,308	4.8	3,727	4.7	3,995	6.6
Fuel costs	3,194	2.8	2,772	2.0	1,826	1.2	887	1.1	1,405	2.3
Depreciation expenses [(Note)]	1,320	1.1	1,549	1.1	1,668	1.1	910	1.1	910	1.5
Others	1,038	0.9	—	—	—	—	—	—	3,593	5.9
Total	116,107	100.0	139,898	100.0	152,070	100.0	79,308	100.0	60,777	100.0

Note: Depreciation expenses mainly represent the depreciation expenses of the Group's self-owned vessels.

(i) Vessel chartering costs

Vessel chartering costs represent service costs paid and payable to the third-party vessel suppliers to provide vessel chartering services to the Group which include hiring of vessels and crew for a specific period of time. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred vessel chartering costs of approximately HK$80.6 million, HK$87.6 million, HK$96.2 million and HK$32.1 million, respectively.

(ii) Staff costs and related expenses

Staff costs and related expenses include the salaries, mandatory provident fund and welfare expenses incurred by the Group for its crew members who operate and manage the Group's chartered vessels. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred staff costs and related expenses of approximately HK$16.8 million, HK$30.7 million, HK$30.0 million and HK$12.4 million, respectively.

(iii) Subcontracting fees

Subcontracting fees represent the charges paid and payable to the third-party subcontractors who provide labour, such as vessel's coxswain and crew members, for the Group's vessel chartering and related services. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred subcontracting fees of approximately HK$7.3 million, HK$10.1 million, HK$15.0 million and HK$6.4 million, respectively.

(iv) Repair and maintenance expenses

Repair and maintenance expenses represent the costs of repair and maintenance paid and payable to third-party suppliers for the Group's self-owned vessels. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred repair and maintenance expenses of approximately HK$5.8 million, HK$7.2 million, HK$7.3 million and HK$4.0 million, respectively.

(v) Fuel costs

Fuel costs mainly represent the costs of fuel incurred by the Group in providing voyage charter services. In respect of the Group's time charter services and ship management services, fuel is usually provided by the Group's customers. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred fuel costs of approximately HK$3.2 million, HK$2.8 million, HK$1.8 million and HK$1.4 million, respectively.

(vi) Other costs

Other costs mainly represent (i) a one-off berthing fee incurred for the year ended 31 March 2016 in order to conduct a full inspection for the two purpose built container vessels prior to their operation commenced in the last quarter of 2015; and (ii) a design and modification fee incurred for the six months ended 30 September 2018 as the Group engaged a third party supplier to modify a flat-top barge into a floating site office for one of the 3RS Contractors.

Gross profit

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group's gross profit amounted to approximately HK$32.3 million, HK$50.5 million, HK$61.0 million and HK$30.8 million, respectively. The following table sets forth a breakdown of the Group's gross profit and gross profit margin during the Track Record Period by business segments:

	Year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Vessel chartering and related services	26,772	19.5	35,641	21.9	49,589	26.4	27,633	27.6	24,483	31.1
Ship management	5,494	48.6	14,853	53.5	11,389	45.1	5,476	44.2	6,280	49.1
Total/ overall	32,266	21.7	50,494	26.5	60,978	28.6	33,109	29.5	30,763	33.6

(i) Vessel chartering and related services

The Group's gross profit derived from vessel chartering and related services was approximately HK$26.8 million, HK$35.6 million, HK$49.6 million and HK$24.5 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, representing gross profit margin of approximately 19.5%, 21.9%, 26.4% and 31.1%, for the same periods, respectively.

(ii) Ship management

The Group's gross profit derived from ship management was approximately HK$5.5 million, HK$14.9 million, HK$11.4 million and HK$6.3 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, representing gross profit margin of approximately 48.6%, 53.5%, 45.1% and 49.1% for the same periods, respectively.

Other income

The Group's other income consists of (i) interest income arising in the Group's bank deposits; (ii) insurance claims received from insurance providers; and (iii) income derived from management services.

Other gains and losses

The Group's other gains and losses mainly represent the gain on sale of a modified vessel of approximately HK$3.9 million during the year ended 31 March 2018. In November 2016, the Group entered into a sales contract ("**Vessel Sales Contract**") with a third-party customer in respect of the sale of a jack-up barge at a consideration of approximately HK$6.0 million. Pursuant to the Vessel Sales Contract, the Group agreed to sell a jack-up barge ("**Modified Jack-up Barge**") with certain modification specified by the third-party customer. The Group had sourced a used jack-up barge and modified it. Upon completion of the modification and obtaining of the necessary operation licence from the Marine Department, the transaction was completed in March 2018.

Administrative expenses

The Group's administrative expenses mainly consist of (i) staff costs and related expenses which mainly represent the salaries and benefits payable to the Directors and the Group's administrative staff; (ii) entertainment expenses; (iii) insurance expenses which represent the insurance coverages of the Group's self-owned vessels, motor vehicles and employees' compensation; and (iv) rentals and utilities which mainly represent the expenses incurred for the rentals of office premises and car park spaces and their daily utilities. The following table sets forth the breakdown of the Group's administrative expenses during the Track Record Period:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Audit fees	53	73	73	37	37
Bank charges	141	131	91	20	18
Depreciation expenses *(Note 1)*	373	468	592	244	234
Insurance expenses	1,144	1,582	1,228	583	638
Staff costs and related expenses *(Note 2)*	8,640	10,777	11,359	5,238	5,818
Surveyors and licence fees	621	431	322	112	151
Motor expenses	455	511	577	323	280
Rentals and utilities	227	1,031	1,041	556	818
Entertainment	1,211	1,824	1,936	1,049	785
Office expenses	247	317	342	154	162
Travelling and transportation	443	555	511	310	194
Others	415	568	1,741	300	1,845
	13,970	18,268	19,813	8,926	10,980

Notes:

1. The depreciation expenses represent the depreciation expenses for the Group's fixed assets other than its self-owned vessels and machinery and equipment.
2. Staff costs and related expenses include staff salaries, Directors' remuneration and benefit, staff welfare and allowance, mandatory provident fund and severance payment.

Finance costs

The Group's finance costs represent the interest expenses on the Group's secured bank borrowings and bank overdrafts.

Share of results of associates

The share of results of associates represent contribution from the Group's associates including (i) Scenic Shipping, a Hong Kong private company principally engaged in provision of vessel chartering services, which became the Group's associate in June 2016; and (ii) Eastlink Marine, a Hong Kong private company principally engaged in provision of vessel chartering services, which became the Group's associate in December 2017. The Group's share of results of associates were nil, HK$519,000, HK$1.6 million and HK$415,000 for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively.

Income tax expenses

During the Track Record Period, all of the Group's revenue was derived in Hong Kong and was subject to Hong Kong profits tax. Hong Kong profits tax is calculated at a statutory tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The following table sets forth the breakdown of the Group's income tax expenses and the effective tax rates during the Track Record Period:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Hong Kong Profit Tax					
— current year/period	2,647	5,129	7,722	4,138	3,412
— underprovision in prior years/period	—	—	197	197	—
Deferred tax					
— current year/period	794	335	(39)	15	(46)
Total income tax expenses	3,441	5,464	7,880	4,350	3,366
Effective tax rate	18.6%	16.3%	17.9%	16.7%	26.5%

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2017 compared with the year ended 31 March 2016

Revenue

The Group's revenue increased by approximately HK$42.0 million, or approximately 28.3%, from approximately HK$148.4 million for the year ended 31 March 2016 to approximately HK$190.4 million for the year ended 31 March 2017. Such increase was mainly attributable to (i) the increase in revenue derived from vessel chartering and related services of approximately HK$25.5 million; and (ii) the increase in revenue derived from ship management of approximately HK$16.4 million.

(i) Vessel chartering and related services

The Group's revenue derived from vessel chartering and related services recorded an increase of approximately HK$25.5 million, or approximately 18.6%, from approximately HK$137.1 million for the year ended 31 March 2016 to approximately HK$162.6 million for the year ended 31 March 2017. Such increase was mainly attributable to the following reasons:

— increase in revenue of time charter services by approximately HK$11.8 million, or approximately 10.2%, which was mainly attributable to the combined effect of the increase in the overall average number of vessels chartered to customers from 70 vessels per month in 2016 to 75 vessels per month in 2017 and the increase in the average monthly time chartering fees from approximately HK$130,700 per vessel in 2016 to approximately HK$132,000 per vessel in 2017. The aforesaid growths were mainly driven by continuous demands from the HZMB Contractors coupled with the revenue generated from the time charter services provided to the 3RS Contractors starting from 2017;

— increase in revenue of voyage charter services by approximately HK$7.0 million, or approximately 51.2%, which was mainly attributable to the increase in voyage chartering orders received by the Group from a construction company during the year ended 31 March 2017 to charter the Group's vessels for round-trip carriage of its workers between designated locations; and

— increase in revenue of other related services by approximately HK$6.8 million, or approximately 80.5%, which was mainly attributable to the increase in services income arising from the provision of crew members from approximately HK$7.1 million in 2016 to approximately HK$13.4 million in 2017, which was due to the increase in demand from Customer A, who was the Group's largest customer in terms of revenue contribution during the Track Record Period, to manage and operate their vessels.

(ii) Ship management

The Group's revenue derived from ship management recorded an increase of approximately HK$16.4 million, or approximately 145.1%, from approximately HK$11.3 million for the year ended 31 March 2016 to approximately HK$27.7 million for the year ended 31 March 2017. Such increase was mainly attributable to the increase in Monthly Income from ship management services recorded during the year ended 31 March 2017, as compared to the preceding year, due to the commencement of the ship management services in the last quarter of 2015.

Cost of revenue

The Group's cost of revenue increased by approximately HK$23.8 million, or approximately 20.5%, from approximately HK$116.1 million for the year ended 31 March 2016 to approximately HK$139.9 million for the year ended 31 March 2017. Such increase was generally in line with the corresponding overall revenue growth and was mainly attributable to (i) the increase in vessel chartering costs due to the increase in demand of vessel chartering and related services from the Group's customers; and (ii) the increase in staff costs and related expenses due to the increase in number of crew members for vessels operation and ship management services.

Gross profit and gross profit margin

The Group's overall gross profit increased by approximately HK$18.2 million, or approximately 56.3%, from approximately HK$32.3 million for the year ended 31 March 2016 to approximately HK$50.5 million for the year ended 31 March 2017, which was mainly due to the increase in the revenue of the Group for the year ended 31 March 2017.

The Group's gross profit margin increased by approximately 4.8%, from approximately 21.7% for the year ended 31 March 2016 to approximately 26.5% for the year ended 31 March 2017.

(i) Vessel chartering and related services

The gross profit margin of the Group for vessel chartering and related services was approximately 19.5% for the year ended 31 March 2016, as compared to that of approximately 21.9% for the year ended 31 March 2017. The increase in gross profit margin for vessel chartering and related services for the year ended 31 March 2017 was mainly because of the increase in the revenue of this segment which outpaced the increase in its corresponding principal costs. The principal costs of vessel chartering and related services segment were the costs of crew members (including both the Group's staff costs and the subcontracting fees of external crew members) and vessel chartering costs which aggregately amounted to approximately HK$100.5 million and HK$117.0 million, respectively, for each of the two years ended 31 March 2017, representing approximately 91.1% and 92.1% of the total costs of this segment, respectively. The principal costs of this segment had only increased by approximately 16.5% for the year ended 31 March 2017 whereas the corresponding revenue had increased by 18.7%. This was mainly due to the ability of the Group in securing the advantageous vessel chartering costs from the Group's vessel suppliers because of its well-established customer-supplier relationships.

(ii) Ship management

The gross profit margin of the Group for ship management was approximately 48.6% for the year ended 31 March 2016, as compared to that of approximately 53.5% for the year ended 31 March 2017. Prior to the operation of the two purpose built container vessels, the Group berthed these vessels in a specific dockyard to conduct a full inspection, resulting in the Group incurred a one-off berthing fee of approximately HK$1.0 million for the year ended 31 March 2016. As such, the Group's cost of revenue incurred for the ship management services for the year ended 31 March 2017 was proportionately lower, as compared to that in the preceding year, resulting in a relatively higher gross profit margin recorded for year ended 31 March 2017.

Other income

The Group's other income increased by approximately HK$600,000, or approximately 209.1%, from approximately HK$287,000 for the year ended 31 March 2016 to approximately HK$887,000 for the year ended 31 March 2017, which was mainly attributable to (i) the Group recorded insurance claims received from the insurance providers amounted to approximately HK$129,000 during the year ended 31 March 2017; and (ii) the Group recorded the management fee income amounted to approximately HK$396,000 during the year ended 31 March 2017.

Administrative expenses

The Group's administrative expenses increased by approximately HK$4.3 million, or approximately 30.7%, from approximately HK$14.0 million for the year ended 31 March 2016 to approximately HK$18.3 million for the year ended 31 March 2017. The Group commenced its ship management business in October 2015 and incurred significant administrative expenses since then mainly for the hiring of crew members and leasing the new office premises, resulting in the increase in the overall administrative expenses for the year ended 31 March 2017 as compared to the preceding year, including (i) the increase in the staff costs and related expenses of approximately HK$2.1 million; (ii) the increase in rentals and utilities of approximately HK$804,000; and (iii) the increase in entertainment expenses of approximately HK$613,000. Whereas the increase in the Group's insurance expenses of approximately HK$438,000 was mainly due to the increase in number of crew members and self-owned vessels during the year ended 31 March 2017.

Finance costs

The Group's finance costs increased by approximately HK$53,000, or approximately 77.9%, from approximately HK$68,000 for the year ended 31 March 2016 to approximately HK$121,000 for the year ended 31 March 2017, which was mainly due to the increase in the Group's average bank borrowings during the year ended 31 March 2017.

Share of results of associates

The Group recorded a share of profit of approximately HK$519,000 from its investment in Scenic Shipping for the year ended 31 March 2017.

Income tax expenses

The Group's income tax expenses increased by approximately HK$2.1 million, or approximately 61.8%, from approximately HK$3.4 million for the year ended 31 March 2016 to approximately HK$5.5 million for the year ended 31 March 2017. Such increase was primarily due to the increase in the Group's profit before taxation from approximately HK$18.5 million for the year ended 31 March 2016 to approximately HK$33.5 million for the year ended 31 March 2017, representing an increase of approximately 81.1%.

For the year ended 31 March 2016, the effective tax rate of the Group amounted to approximately 18.6%, which was higher than the Hong Kong profits tax rate of 16.5%, it is mainly because the Group recorded a tax effect of approximately HK$383,000 arising in a balancing charge for the year. For the year ended 31 March 2017, the effective tax rate of the Group amounted to 16.3%, which was similar to the Hong Kong profits tax rate of 16.5%.

Profit and total comprehensive income for the year

Profit and total comprehensive income for the year of the Group increased by approximately HK$13.0 million, or approximately 86.1%, from approximately HK$15.1 million for the year ended 31 March 2016 to approximately HK$28.1 million for the year ended 31 March 2017. Such increase was mainly attributable to the combined effect of the aforementioned items.

Year ended 31 March 2018 compared with the year ended 31 March 2017

Revenue

The Group's revenue increased by approximately HK$22.6 million, or approximately 11.9%, from approximately HK$190.4 million for the year ended 31 March 2017 to approximately HK$213.0 million for the year ended 31 March 2018. Such increase was mainly attributable to the combined effect of (i) the increase in revenue derived from vessel chartering and related services of approximately HK$25.1 million; and (ii) the decrease in revenue derived from ship management of approximately HK$2.5 million.

(i) Vessel chartering and related services

The Group's revenue derived from vessel chartering and related services recorded an increase of approximately HK$25.1 million, or approximately 15.5%, from approximately HK$162.6 million for the year ended 31 March 2017 to approximately HK$187.7 million for the year ended 31 March 2018. Such increase was mainly attributable to the following reasons:

— increase in revenue of time charter services by approximately HK$33.4 million, or approximately 26.4%, which was mainly attributable to the significant increase in the average monthly time chartering fees from approximately HK$132,000 per vessel in 2017 to approximately HK$183,400 per vessel in 2018, which was mainly due to (a) changes in vessel operating time from ten hours per working day to 24 hours per day (including public holidays) because of the changes in customer mix; and (b) the increase in monthly chartering fee in number of vessels in the third quarter of 2017;

— increase in revenue of other related services by approximately HK$0.3 million, or approximately 1.8%, which was mainly attributable to the increase in income arising from the provision of repair and maintenance services of approximately HK$0.3 million, which was mainly due to the increase in the demand from the Group's major customers for annual maintenance of their vessels; and

— decrease in revenue of voyage charter services by approximately HK$8.6 million, or approximately 41.5%, which was mainly attributable to the decrease in voyage chartering orders received by the Group for the year ended 31 March 2018, which was mainly due to the decrease in demands for the maritime logistics services from the customers.

(ii) Ship management

The Group's revenue derived from ship management recorded a decrease of approximately HK$2.5 million, or approximately 9.0%, from approximately HK$27.7 million for the year ended 31 March 2017 to approximately HK$25.2 million for the year ended 31 March 2018. Such decrease was mainly attributable to the decrease in miscellaneous income from ship management services which was in turn due to the reduction in number of orders received from the customer for the miscellaneous services, such as provision of barge and tug services and provision of technical personnel and extra crew members, had reduced significantly during the year ended 31 March 2018.

Cost of revenue

The Group's cost of revenue increased by approximately HK$12.2 million, or approximately 8.7%, from approximately HK$139.9 million for the year ended 31 March 2017 to approximately HK$152.1 million for the year ended 31 March 2018. Such increase was mainly attributable to (i) the increase in vessel chartering costs due to the increase in demand of vessel chartering and related services from the Group's customers; and (ii) the increase in subcontracting fees due to the increase in demand for crew members for vessels operation.

Gross profit and gross profit margin

The Group's overall gross profit increased by approximately HK$10.5 million, or approximately 20.8%, from approximately HK$50.5 million for the year ended 31 March 2017 to approximately HK$61.0 million for the year ended 31 March 2018, which was mainly due to the increase in the revenue of the Group for the year ended 31 March 2018.

The Group's gross profit margin increased by approximately 2.1%, from approximately 26.5% for the year ended 31 March 2017 to approximately 28.6% for the year ended 31 March 2018.

(i) Vessel chartering and related services

The gross profit margin of the Group for vessel chartering and related services was approximately 21.9% for the year ended 31 March 2017, as compared to that of approximately 26.4% for the year ended 31 March 2018. Such increase was mainly due to the increase in the revenue of this segment had outpaced the increase in its corresponding principal costs. The principal costs of this segment aggregately amounted to approximately HK$117.0 million and HK$130.1 million, respectively, for each of the two years ended 31 March 2018, representing approximately 92.1% and 94.1% of the total costs of this segment, respectively. The principal costs of this segment had only increased by approximately 11.1% for the year ended 31 March 2018 whereas the corresponding revenue had increased by 15.5%. This was primarily due to the increase in the average monthly time chartering fees for the year was greater than the increase in the vessel chartering costs and subcontracting fees from the Group's suppliers and subcontractors.

(ii) Ship management

The gross profit margin of the Group for ship management was approximately 53.5% for the year ended 31 March 2017, as compared to that of approximately 45.1% for the year ended 31 March 2018. The decrease in gross profit margin for ship management for the year ended 31 March 2018 was mainly attributable to the decrease in miscellaneous income from ship management services which had a relatively higher profit margin as the principal cost was staff costs which remained at a stable level throughout the years ended 31 March 2017 and 2018.

Other income

The Group's other income increased by approximately HK$450,000, or approximately 50.7%, from approximately HK$887,000 for the year ended 31 March 2017 to approximately HK$1.3 million for the year ended 31 March 2018, which was mainly attributable to (i) the Group recorded the management fee income amounted to approximately HK$602,000; and (ii) the increase in insurance claims received from the insurance providers of approximately HK$137,000.

Administrative expenses

The Group's administrative expenses increased by approximately HK$1.5 million, or approximately 8.2%, from approximately HK$18.3 million for the year ended 31 March 2017 to approximately HK$19.8 million for the year ended 31 March 2018. Such increase was mainly attributable to the increase in other administrative expense of approximately HK$1.2 million which was mainly due to the increase in testing fees for the two purpose built container vessels of HK$250,000 and the increase in legal and professional expenses in relation to the Pre-IPO Investment and the Reorganisation of approximately HK$738,000. The Directors consider that the increase in administrative expense was in line with the Group's revenue growth.

Finance costs

The Group's finance costs decreased by approximately HK$71,000, or approximately 58.7%, from approximately HK$121,000 for the year ended 31 March 2017 to approximately HK$50,000 for the year ended 31 March 2018, which was mainly attributable to the decrease in the Group's average bank borrowings during the year ended 31 March 2018.

Share of results of associates

The Group's share of results of associates increased by approximately HK$1.1 million, or approximately 220.0%, from approximately HK$0.5 million for the year ended 31 March 2017 to approximately HK$1.6 million for the year ended 31 March 2018, which was mainly due to the increase in share of results of associates amounted to approximately HK$1.1 million from the Group's investment in Scenic Shipping.

Income tax expenses

The Group's income tax expenses increased by approximately HK$2.4 million, or approximately 43.6%, from approximately HK$5.5 million for the year ended 31 March 2017 to approximately HK$7.9 million for the year ended 31 March 2018. Such increase was primarily due to the increase in the Group's profit before taxation from approximately HK$33.5 million for the year ended 31 March 2017 to approximately HK$44.0 million for the year ended 31 March 2018, representing an increase of approximately 31.3%.

For the year ended 31 March 2018, the effective tax rate of the Group amounted to approximately 17.9% which was higher than the Hong Kong profits tax rate of 16.5%, and it was mainly because the Group incurred certain non-tax deductible expenses with the tax effect of approximately HK$748,000.

Profit and total comprehensive income for the year

Profit and total comprehensive income for the year of the Group increased by approximately HK$8.1 million, or approximately 28.9%, from approximately HK$28.1 million for the year ended 31 March 2017 to approximately HK$36.2 million for the year ended 31 March 2018. Such increase was mainly attributable to the combined effect of the aforementioned items.

Six months ended 30 September 2018 compared with the six months ended 30 September 2017

Revenue

The Group's revenue decreased by approximately HK$20.8 million, or approximately 18.5%, from approximately HK$112.4 million for the six months ended 30 September 2017 to approximately HK$91.6 million for the six months ended 30 September 2018. Such decrease was mainly attributable to the decrease in revenue derived from vessel chartering and related services of approximately HK$21.2 million.

(i) Vessel chartering and related services

The Group's revenue derived from vessel chartering and related services recorded a decrease of approximately HK$21.2 million, or approximately 21.2%, from approximately HK$100.0 million for the six months ended 30 September 2017 to approximately HK$78.8 million for the six months ended 30 September 2018. Such decrease was mainly attributable to the following reasons:

— decrease in revenue of time charter services by approximately HK$18.0 million, or approximately 21.5%, which was mainly attributable to a sharp decline in the revenue generated from time charter services provided to the HZMB Contractors from approximately HK$35.2 million for the six months ended 30 September 2017 to approximately HK$7.9 million for the six months ended 30 September 2018 due to the HZMB Project being substantially completed during the six months ended 30 September 2018, and partially compensated by the increase in revenue generated from time charter services provided to the contractors of the 3RS Project from approximately HK$34.3 million for the six months ended 30 September 2017 to approximately HK$39.9 million for the six months ended 30 September 2018 pursuant to a gradual re-allocation of the Group's vessel fleet to support this project; and

— decrease in revenue of voyage charter services by approximately HK$3.2 million, or approximately 47.8%, which was mainly attributable to the decrease in voyage chartering orders received by the Group from a customer who is a construction contractor by approximately HK$1.5 million during the six months ended 30 September 2018.

(ii) Ship management

The Group's revenue derived from ship management recorded a slight increase of approximately HK$0.4 million, or approximately 3.2%, from approximately HK$12.4 million for the six months ended 30 September 2017 to approximately HK$12.8 million for the six months ended 30 September 2018. Such slight increase was mainly attributable to the fluctuation of the Consumer Price Index (B) published by the Census and Statistics Department of the Government which applied to the Monthly Income during both periods. Pursuant to the Group's only ship management contract, 85% of the contract sum is adjusted by Consumer Price Index (B). Please refer to the section headed "Business — Customers — Salient terms of the Group's contracts — Ship management" in this prospectus for details.

Cost of revenue

The Group's cost of revenue decreased by approximately HK$18.5 million, or approximately 23.3%, from approximately HK$79.3 million for the six months ended 30 September 2017 to approximately HK$60.8 million for the six months ended 30 September 2018. Such decrease was mainly attributable to the decrease in vessel chartering costs due to the decline in vessel chartering and related services provided to the Group's customers for the six months ended 30 September 2018.

Gross profit and gross profit margin

The Group's overall gross profit decreased by approximately HK$2.3 million, or approximately 6.9%, from approximately HK$33.1 million for the six months ended 30 September 2017 to approximately HK$30.8 million for the six months ended 30 September 2018, which was mainly due to the decrease in the revenue of the Group for the six months ended 30 September 2018.

The Group's gross profit margin increased by approximately 4.1%, from approximately 29.5% for the six months ended 30 September 2017 to approximately 33.6% for the six months ended 30 September 2018.

(i) Vessel chartering and related services

The gross profit margin of the Group for vessel chartering and related services was approximately 27.6% for the six months ended 30 September 2017, as compared to that of approximately 31.1% for the six months ended 30 September 2018. Such increase was mainly due to the aforesaid changes in the revenue generated from the time charter services provided to support two major marine construction projects, namely the HZMB Project, which has a relatively lower gross profit margin of approximately 16.7% and the 3RS Project, which has a relatively higher gross profit margin of approximately 33.1%, during the six months ended 30 September 2018.

(ii) Ship management

The gross profit margin of the Group for ship management was approximately 44.2% for the six months ended 30 September 2017, as compared to that of approximately 49.1% for the six months ended 30 September 2018. The increase in gross profit margin for ship management for the six months ended 30 September 2018 was mainly attributable to the decrease in repair and maintenance expenses incurred for the two purpose built container vessels by approximately HK$0.7 million, or approximately 41.2%, from approximately HK$1.7 million for the six months ended 30 September 2017 to approximately HK$1.0 million for the six months ended 30 September 2018.

Other income

The Group's other income decreased by approximately HK$210,000, or approximately 21.5%, from approximately HK$979,000 for the six months ended 30 September 2017 to approximately HK$769,000 for the six months ended 30 September 2018, which was mainly because the Group did not record any insurance claims for the six months ended 30 September 2018, as compared to that of approximately HK$261,000 for the six months ended 30 September 2017.

Administrative expenses

The Group's administrative expenses increased by approximately HK$2.1 million, or approximately 23.6%, from approximately HK$8.9 million for the six months ended 30 September 2017 to approximately HK$11.0 million for the six months ended 30 September 2018. Such increase was mainly attributable to the increase in other administrative expenses of approximately HK$1.5 million which mainly included (i) donation of approximately HK$1.0 million made to the Community Chest; and (ii) the legal and professional expenses in relation to the Pre-IPO Investment and the Reorganisation of approximately HK$0.5 million.

Finance costs

The Group's finance costs decreased by approximately HK$20,000, or approximately 74.1%, from approximately HK$27,000 for the six months ended 30 September 2017 to approximately HK$7,000 for the six months ended 30 September 2018, which was mainly attributable to the decrease in the Group's average bank borrowings during the six months ended 30 September 2018.

Share of results of associates

The Group's share of results of associates decreased by approximately HK$427,000, or approximately 50.7%, from approximately HK$842,000 for the six months ended 30 September 2017 to approximately HK$415,000 for the six months ended 30 September 2018, which was mainly due to the decrease in share of results of associates contributed by Scenic Shipping during the six months ended 30 September 2018.

Income tax expenses

The Group's income tax expenses decreased by approximately HK$1.0 million, or approximately 22.7%, from approximately HK$4.4 million for the six months ended 30 September 2017 to approximately HK$3.4 million for the six months ended 30 September 2018. Such decrease was primarily due to the decrease in the Group's profit before taxation from approximately HK$26.0 million for the six months ended 30 September 2017 to approximately HK$12.7 million for the six months ended 30 September 2018, representing a decrease of approximately 51.2%. For the six months ended 30 September 2018, the effective tax rate of the Group amounted to approximately 26.5% which was higher than the Hong Kong profits tax rate of 16.5%, it was mainly because the Group incurred non-recurring Listing expenses of approximately HK$8.2 million which is not a tax deductible expense when calculating the Hong Kong profits tax.

Profit and total comprehensive income for the period

Profit and total comprehensive income for the year of the Group decreased by approximately HK$12.2 million, or approximately 56.5%, from approximately HK$21.6 million for the six months ended 30 September 2017 to approximately HK$9.4 million for the six months ended 30 September 2018. Such decrease was mainly attributable to the combined effect of the aforementioned items.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group financed its operations through a combination of internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows, bank borrowings, the net proceeds from the Share Offer and, if necessary, additional equity financing when there are capital needs.

Cash flows

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows during the Track Record Period:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash generated from operating activities	16,285	23,371	41,574	28,717	3,828
Net cash (used in)/generated from investing activities	(8,947)	(27,731)	(5,815)	(12,173)	4,550
Net cash (used in)/generated from financing activities	(2,217)	10,798	(18,126)	(6,617)	(657)
Net increase in cash and cash equivalents	5,121	6,438	17,633	9,927	7,721
Cash and cash equivalents at the beginning of the year/period	9,421	14,542	20,980	20,980	38,613
Cash and cash equivalents at the end of the year/period	14,542	20,980	38,613	30,907	46,334

Net cash generated from operating activities

The Group derives cash inflow from operating activities primarily from the receipt of payments from the Group's maritime services including (i) vessel chartering and related services; and (ii) ship management. Cash outflow from the Group's operating activities primarily includes (i) payments of cost of revenue, including the vessel chartering costs, staff costs and related expenses and subcontracting fees; and (ii) the payments of Hong Kong profits tax.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash generated from operating activities of approximately HK$16.3 million, primarily attributable to profit before tax of approximately HK$18.5 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK$1.7 million; (ii) an increase in trade and other receivables and rental deposits of approximately HK$12.8 million; (iii) an increase in trade and other payables of approximately HK$12.2 million; and (iv) income tax paid of approximately HK$3.5 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash generated from operating activities of approximately HK$23.4 million, primarily attributable to profit before tax of approximately HK$33.5 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK$2.0 million; (ii) an increase in trade and other receivables and rental deposits of approximately HK$13.1 million; (iii) an increase in trade and other payables of approximately HK$3.0 million; and (iv) income tax paid of approximately HK$1.6 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash generated from operating activities of approximately HK$41.6 million, primarily attributable to profit before tax of approximately HK$44.0 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK$2.3 million; (ii) share of results of associates of approximately HK$1.6 million; (iii) a decrease in trade and other receivables and rental deposits of approximately HK$10.6 million; (iv) a decrease in trade and other payables of approximately HK$7.4 million and; (v) an income tax paid of approximately HK$5.9 million.

Six months ended 30 September 2018

For the six months ended 30 September 2018, the Group recorded net cash generated from operating activities of approximately HK$3.8 million, primarily attributable to profit before tax of approximately HK$12.7 million; adjusted to reflect mainly (i) depreciation of property, plant and equipment of approximately HK$1.1 million; (ii) share of results of associates of approximately HK$415,000; (iii) an increase in trade and other receivables and rental deposits of approximately HK$4.0 million; (iv) a decrease in trade and other payables of approximately HK$5.1 million; and (v) an income tax paid of approximately HK$429,000.

Net cash (used in)/generated from investing activities

During the Track Record Period, the Group's cash outflow from investing activities primarily consisted of (i) advances paid to the Directors and Scenic Shipping; (ii) purchase of property, plant and equipment; and (iii) placements of restricted bank deposits and time deposits, and the Group's cash inflow from investing activities primarily represented the repayments from the Directors and Scenic Shipping.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash used in investing activities of approximately HK$8.9 million due to (i) the advance paid to the Directors of approximately HK$8.2 million; and (ii) purchase of property, plant and equipment of approximately HK$2.0 million, which were partially offset by the repayment from the Directors of approximately HK$1.2 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash used in investing activities of approximately HK$27.7 million mainly due to (i) purchase of property, plant and equipment of approximately HK$5.5 million; (ii) the advance paid to the Directors of approximately HK$19.0 million; (iii) the advance paid to Scenic Shipping of approximately HK$5.7 million; and (iv) placement of restricted bank deposits of approximately HK$5.0 million, which were partially offset by the repayment from the Directors of approximately HK$7.4 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash used in investing activities of approximately HK$5.8 million mainly due to (i) purchase of property, plant and equipment of approximately HK$2.2 million; (ii) placement of time deposits of approximately HK$1.1 million; and (iii) the advance paid to the Directors of approximately HK$11.1 million, which were partially offset by (i) the repayment from Scenic Shipping of approximately HK$2.2 million; and (ii) the withdrawal of restricted bank deposits of approximately HK$5.0 million.

Six months ended 30 September 2018

For the six months ended 30 September 2018, the Group recorded net cash generated from investing activities of approximately HK$4.6 million mainly due to (i) repayment of an amount due to Scenic Shipping of approximately HK$3.4 million; and (ii) withdrawal of time deposits of approximately HK$1.1 million.

Net cash (used in)/generated from financing activities

During the Track Record Period, the Group's cash outflow from financing activities primarily consisted of (i) payment of dividends; (ii) repayment of bank borrowings; and (iii) repayments to the Directors and related parties, and the Group's cash inflow from investing activities primarily consisted of (i) proceeds of new bank borrowings raised; and (ii) advances from the Directors and related parties.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK$2.2 million mainly due to (i) the dividend paid of approximately HK$4.5 million; (ii) the repayment of bank borrowings of approximately HK$19.2 million; (iii) repayment to the Directors of approximately HK$11.5 million, which were partially offset by (i) proceeds of new bank borrowings raised of approximately HK$20.0 million; (ii) the advance from the Directors of approximately HK$9.5 million; and (iii) the advance from the related parties of approximately HK$3.5 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash generated from financing activities of approximately HK$10.8 million mainly due to (i) the proceeds of new bank borrowings raised of approximately HK$8.3 million; and (ii) the advance from the Directors of approximately HK$7.4 million, which were partially offset by the repayment of bank borrowings of approximately HK$4.0 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash used in financing activities of approximately HK$18.1 million mainly due to (i) the dividends paid of approximately HK$10.0 million; (ii) the repayment of bank borrowings of approximately HK$64.8 million; (iii) the repayment to the Directors of approximately HK$12.1 million; and (iv) repayment to the related parties of approximately HK$2.9 million, which were partially offset by (i) proceeds of new bank borrowings raised of approximately HK$58.5 million; and (ii) the loan advanced from Kitling (BVI) of approximately HK$12.5 million which the entire amount had been assigned to Novel Choice pursuant to the Pre-IPO Investment Subscription Agreement.

Six months ended 30 September 2018

For the six months ended 30 September 2018, the Group recorded net cash used in financing activities of approximately HK$657,000 mainly due to (i) the repayment of bank borrowings of approximately HK$10.6 million; and (ii) payment of deferred issue costs in relation to the Share Offer of approximately HK$2.1 million, which were partially offset by (i) proceeds of new bank borrowings raised of approximately HK$10.0 million; and (ii) an advance from Scenic Shipping of approximately HK$2.1 million.

CAPITAL EXPENDITURES

During each of the three years ended 31 March 2018 and the six months ended 30 September 2018, the Group incurred capital expenditure amounted to approximately HK$2.0 million, HK$7.1 million, HK$0.5 million and HK$60,000, respectively. The following table sets out the Group's historical capital expenditures during the Track Record Period:

	For the year ended 31 March			Six months ended 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Vessels	1,137	5,973	—	—
Machinery equipment	—	772	—	—
Leasehold improvement	—	316	—	24
Motor vehicles	752	—	387	—
Furniture and fixtures	111	85	127	36
Total	2,000	7,146	514	60

The Group anticipates that the funds required for such capital expenditure will be financed by cash generated from operations, bank borrowings and the net proceeds from the Share Offer. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of business plan, including but not limited to, potential acquisitions, the progress of capital projects, market conditions and the outlook of future business conditions. As the Group will continue to expand, additional capital expenditures may be incurred and the Group may consider raising additional funds as and when appropriate. The Group's ability to obtain additional funding in the future is subject to a variety of uncertainties including but not limited to, future operation results, financial conditions and cash flows, economic, political and other conditions.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the internal resources and the unutilised banking facilities presently available to the Group, and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for the Group's present requirements for at least the next 12 months commencing on the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth a breakdown of the Group's current assets and liabilities as at the dates indicated:

	As at 31 March			As at 30 September	As at 31 January
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current assets					
Trade and other receivables	38,288	51,325	42,080	48,296	61,364
Tax recoverable	220	9	—	—	—
Amounts due from Directors	7,188	269	—	—	—
Amount due from an associate	—	5,687	3,443	—	—
Restricted bank deposits	—	5,000	—	—	—
Time deposits	—	—	1,131	—	—
Bank balances and cash	17,261	20,980	38,613	46,334	31,309
	62,957	83,270	85,267	94,630	92,673
Current liabilities					
Trade and other payables	26,086	30,751	34,438	29,650	22,709
Amounts due to Directors	1,494	8,609	—	—	—
Amount due to associates	—	—	388	2,346	2,223
Amount due to related parties	4,266	3,639	—	—	—
Tax payables	766	4,127	6,187	9,170	9,489
Bank borrowings	5,321	6,901	608	—	—
	37,933	54,027	41,621	41,166	34,421
Net current assets	25,024	29,243	43,646	53,464	58,252

The Group's net current assets increased by approximately HK$4.2 million to approximately HK$29.2 million as at 31 March 2017 as compared with that of approximately HK$25.0 million as at 31 March 2016. Such increase was mainly attributable to (i) an increase of approximately HK$13.0 million in trade and other receivables; (ii) the advance paid to Scenic Shipping of approximately HK$5.7 million; (iii) the newly placed restricted bank deposits of approximately HK$5.0 million; and (iv) an increase of approximately HK$3.7 million in bank balances and cash, and partially offset by (i) a decrease of approximately HK$6.9 million in amounts due from Directors; (ii) an increase of approximately HK$4.7 million in trade and other payables; (iii) an increase of approximately HK$7.1 million in amounts due to Directors; (iv) an increase of approximately HK$3.4 million in tax payables; and (v) an increase of approximately HK$1.6 million in bank borrowings.

The Group's net current assets increased by approximately HK$14.4 million to approximately HK$43.6 million as at 31 March 2018 as compared with that of approximately HK$29.2 million as at 31 March 2017. Such increase was mainly attributable to (i) an increase of approximately HK$17.6 million in bank balances and cash; (ii) a decrease of approximately HK$3.6 million in amounts due to related parties; (iii) a decrease of approximately HK$8.6 million in amounts due to Directors; (iv) the newly placed time deposits of approximately HK$1.1 million; and (v) a decrease of approximately HK$6.3 million in bank borrowings, and partially offset by (i) an increase of approximately HK$2.1 million in tax payables; (ii) withdrawal of the restricted bank deposits of approximately HK$5.0 million; (iii) an increase of approximately HK$3.7 million in trade and other payables; (iv) a decrease of approximately HK$9.2 million in trade and other receivables; and (v) a decrease of approximately HK$2.2 million in amounts due from an associate.

The Group's net current assets increased by approximately HK$9.9 million to approximately HK$53.5 million as at 30 September 2018 as compared with that of approximately HK$43.6 million as at 31 March 2018. Such increase was mainly attributable to (i) an increase of approximately HK$7.7 million in bank balances and cash; (ii) a decrease of approximately HK$4.8 million in trade and other payables; and (iii) an increase of approximately HK$6.2 million in trade and other receivables, and partially offset by (i) a decrease of approximately HK$3.4 million in amount due from an associate; (ii) an increase of approximately HK$3.0 million in tax payables; and (iii) an increase of approximately HK$2.0 million in amounts due to associates.

The Group's net current assets increased by approximately HK$4.8 million to approximately HK$58.3 million as at 31 January 2019 as compared with that of approximately HK$53.5 million as at 30 September 2018. Such increase was mainly attributable to an increase of approximately HK$13.1 million in trade and other receivables and; (ii) a decrease of approximately HK$7.0 million in trade and other payables, and partially offset by a decrease of approximately HK$15.0 million in bank balances and cash.

DISCUSSION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

During the Track Record Period, the Group's property, plant and equipment mainly comprised (i) vessels; (ii) machinery equipment; (iii) leasehold improvement; (iv) motor vehicles; and (v) furniture and fixtures. The following table sets forth the carrying values of the Group's property, plant and equipment as of the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Vessels	20,221	24,683	23,015	22,182
Machinery equipment	—	734	580	503
Leasehold improvement	208	407	284	245
Motor vehicles	821	548	712	595
Furniture and fixtures	219	226	261	243
Total	21,469	26,598	24,852	23,768

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, the total carrying values of the Group's property, plant and equipment amounted to approximately HK$21.5 million, HK$26.6 million, HK$24.9 million and HK$23.8 million, respectively. The total carrying values of the Group's property, plant and equipment increased from approximately HK$21.5 million as at 31 March 2016 to approximately HK$26.6 million as at 31 March 2017, which was mainly due to the Group having acquired a number of vessels for its vessel chartering business during the year ended 31 March 2017.

Trade and other receivables

The table below sets forth a breakdown of the Group's trade and other receivables as at the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	36,389	49,281	39,453	41,519
Other receivables				
— Prepayments to suppliers	1,481	1,931	1,207	2,714
— Rental deposits	126	113	296	296
— Deferred issue costs	—	—	1,124	3,522
— Others	292	—	—	245
Total trade and other receivables	38,288	51,325	42,080	48,296

The table below sets forth an ageing analysis of the trade receivables, net of allowance for doubtful debts (if any), based on invoice date as at the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	18,122	19,276	15,540	14,959
31 to 60 days	12,038	16,271	15,424	17,528
61 to 90 days	5,164	11,112	5,614	6,640
91 to 120 days	896	2,517	1,187	1,844
Over 120 days	169	105	1,688	548
Total	36,389	49,281	39,453	41,519

The table below sets forth the Group's average trade receivables turnover days for the years/period indicated:

	For the year ended 31 March			For the six months ended 30 September
	2016	**2017**	**2018**	**2018**
	Days	*Days*	*Days*	*Days*
Trade receivables turnover days	74.5	82.1	76.0	80.1

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the years/period, then multiplied by 365 days/181 days for each of the three years ended 31 March 2018 and the six months ended 30 September 2018.

The key components of the Group's trade and other receivables include (i) trade receivables from the Group's customers for maritime services provided by the Group; (ii) prepaid expenses to suppliers include prepaid insurance expenses for the Group's insurance coverage; (iii) the deferred expenses in relation to the Listing; and (iv) other deposits.

The Group's trade and other receivables increased by approximately HK$13.0 million from approximately HK$38.3 million as at 31 March 2016 to approximately HK$51.3 million as at 31 March 2017. Such increase was mainly attributable to the increase in the trade receivables by approximately HK$12.9 million to approximately HK$49.3 million as at 31 March 2017 due to the Group's revenue growth during the year ended 31 March 2017. The Group's trade and other receivables decreased by approximately HK$9.2 million to approximately HK$42.1 million as at 31 March 2018 which was mainly attributable to decrease in the trade receivables by approximately HK$9.8 million to approximately HK$39.5 million as at 31 March 2018 which was in turn mainly due to the lower amount of revenue recorded by the Group in the month of March 2018 as compared to that recorded by the Group in the month of March 2017. The Group's trade and other receivables increased by approximately HK$6.2 million from approximately HK$42.1 million as at 31 March 2018 to approximately HK$48.3 million as at 30 September 2018 which was mainly attributable to (i) the increase in trade receivables by approximately HK$2.1 million; (ii) the increase in deferred issue costs in relation to the Listing by approximately HK$2.4 million; and (iii) the increase in the prepayments to suppliers by approximately HK$1.5 million which mainly comprised a prepayment made by the Group in an amount of approximately HK$2.3 million to a third-party supplier for the construction of a jack-up barge. In July 2018, the Group and a customer entered into an agreement pursuant to which the Group agreed to build and sell a jack-up barge for a consideration of approximately HK$8.5 million. Such transaction is expected to be completed in January 2019.

During the Track Record Period, the credit period granted to the Group's customers generally ranged from 30 to 60 days. The Group's trade receivables turnover days were approximately 74.5 days, 82.1 days, 76.0 days and 80.1 days for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. The Group's trade receivables turnover days were longer than the general credit period granted to the customers, as advised by the Directors, it was mainly because most of the Group's major customers have internal payment procedures which has prolonged the settlement period. The Directors consider that the Group maintains sound relationship with the Group's customers by allowing such flexibility in the settlement period. From the Group's historical experience, the collection time from such customers is up to approximately 90 days.

As at the Latest Practicable Date, approximately HK$40.0 million, or approximately 96.4%, of the Group's trade receivables as at 30 September 2018 have been settled.

The table below sets forth an ageing analysis of the trade receivables which are past due but not impaired as at the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 to 60 days	8,475	12,367	11,893	8,539
61 to 90 days	5,164	11,112	5,614	6,640
91 to 120 days	896	2,517	1,187	1,844
Over 120 days	169	105	1,688	548
Total	14,704	26,101	20,382	17,571

The Group's past due trade receivables amounted to approximately HK$14.7 million, HK$26.1 million, HK$20.4 million and HK$17.6 million, as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, respectively. The Group has not provided for impairment loss for such past due trade receivables as the Directors considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Balances with Directors/associates/related parties

The following table sets forth the Group's amounts due from/(to) Directors as at the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from Directors				
— Mr. Wen	7,080	269	—	—
— Ms. Chan	108	—	—	—
	7,188	269	—	—
Amounts due to Directors				
— Mr. Wen	1,494	5,216	—	—
— Ms. Chan	—	3,393	—	—
	1,494	8,609	—	—

The amounts due from/(to) the Directors were non-trade nature, unsecured, non-interest bearing and repayable on demand.

The following table sets forth the Group's amounts due from/(to) an associate and amounts due to related parties as at the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from/(to) associates				
— Scenic Shipping	—	5,687	3,443	(2,057)
— Eastlink Marine *(Note 2)*	—	—	(388)	(289)
Amounts due to related parties				
— Mr. Chow *(Note 1)*	1,494	1,230	—	—
— Mr. Cheung *(Note 1)*	1,992	1,640	—	—
— Eastlink Marine *(Note 2)*	780	769	—	—
	4,266	3,639	—	—

Notes:

1. Mr. Chow and Mr. Cheung are the key management personnel of the Group.
2. Prior to the acquisition of Eastlink Marine by Yun Lee (BVI) on 27 December 2017, Eastlink Marine was a related company to the Group as Mr. Wen has significant influence on it and Eastlink Marine became an associate of the Group after that date, details of which are set out in note 2 to the Accountants' Report.

The amounts due from/(to) Scenic Shipping are non-trade nature, unsecured, non-interest bearing and repayable on demand. The amount due to Scenic Shipping as at 30 September 2018 will be settled in full prior to the Listing Date. As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, the amounts due to Eastlink Marine of approximately HK$780,000, HK$769,000, HK$388,000 and HK$289,000, respectively, were trade nature, unsecured, non-interest bearing and repayable according to the credit term.

The amounts due to Mr. Chow and Mr. Cheung were non-trade nature, unsecured, non-interest bearing and repayable on demand.

Trade and other payables

The following table sets forth the Group's trade and other payables as at the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	22,044	21,436	16,800	11,331
Accrued expenses	3,833	3,534	4,781	5,499
Deposits and receipt in advance	200	3,200	302	320
Other payables	9	2,581	12,555	12,500
Total trade and other payables	26,086	30,751	34,438	29,650

The table below sets forth an ageing analysis of the trade payables based on invoice date as at the dates indicated:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	12,394	8,465	7,940	5,056
31 to 60 days	5,928	7,693	6,068	4,976
61 to 90 days	3,152	3,538	2,281	425
91 to 120 days	570	40	511	442
Over 120 days	—	1,700	—	432
Total	22,044	21,436	16,800	11,331

The table below sets forth the Group's average trade payables turnover days for the years/period indicated:

	For the year ended 31 March			For the six months ended 30 September
	2016	2017	2018	2018
	Days	*Days*	*Days*	*Days*
Trade payables turnover days	54.1	56.7	45.9	41.9

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of revenue for the years/period, then multiplied by 365 days/181 days for each of the three years ended 31 March 2018 and the six months ended 30 September 2018.

The key components of the Group's trade and other payables include (i) trade payables to the Group's suppliers and subcontractors for their services rendered to the Group such as vessel chartering costs and labour subcontracting services; (ii) accrued expenses for administrative expenses such as staff costs and related expenses; (iii) deposits and receipt in advance which mainly represent the deposits received from a customer in respect of the sale of the Modified Jack-up Barge; and (iv) other payables which mainly represent the outstanding balance of the purchase cost of a vessel payable to a third-party supplier and a loan advanced from Kitling (BVI).

The Group's trade and other payables increased by approximately HK$4.7 million from approximately HK$26.1 million as at 31 March 2016 to approximately HK$30.8 million as at 31 March 2017. Such increase was mainly attributable to (i) the increase in the deposits and receipt in advance of approximately HK$3.0 million which mainly represent the abovementioned deposit received for the sale of the Modified Jack-up Barge; and (ii) the increase in other payables of approximately HK$2.6 million arising from the outstanding balance in respect of a vessel purchase. The Group's trade and other payables had further increased to approximately HK$34.4 million as at 31 March 2018. Such increase was mainly attributable to a combined effect of (i) the increase in other payables by approximately HK$12.5 million due to the loan advanced from Kitling (BVI); (ii) the decrease in trade payables by approximately HK$4.6 million due to lower amount of cost of revenue incurred by the Group in the month of March 2018 as compared to that incurred in the month of March 2017, when compared to the corresponding amount of revenue made by the Group in both months; and (iii) decrease in deposits and receipt in advance of approximately HK$2.9 million due to the completion of the sale of the Modified Jack-up Barge during the year ended 31 March 2018. The Group's trade and other payables decreased by approximately HK$4.7 million from approximately HK$34.4 million as at 31 March 2018 to approximately HK$29.7 million as at 30 September 2018 which was mainly attributable to the decrease in trade payables of approximately HK$5.5 million.

During the Track Record Period, the credit period granted by the Group's suppliers and subcontractors generally ranged from 30 to 60 days. The Group's recorded average trade payables turnover days of approximately 54.1 days, 56.7 days, 45.9 days and 41.9 days for the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively, which fell within the range of credit period granted by the Group's suppliers and subcontractors.

As at the Latest Practicable Date, approximately HK$10.7 million, or approximately 94.7%, of the Group's trade payables as at 30 September 2018 have been settled.

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group had entered into certain transactions with its related parties ("**Related Party Transactions**") comprising (i) management services income; (ii) vessel chartering costs; and (iii) rental expenses of a staff lounge. The below table sets forth a breakdown of the Related Party Transactions during the Track Record Period:

Related Parties	**Nature of transactions**	**Year ended 31 March 2016**	**2017**	**2018**	**Six months ended 30 September 2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
KEE Marine *(Note 1)*	Management fee income	—	315	360	180
Eastlink Marine	Management fee income	69	81	242	219
	Vessel chartering costs	3,967	2,911	3,563	1,933
Metro Key *(Note 2)*	Rental expense of a staff lounge	120	120	123	67

Notes:

1. KEE Marine is controlled by Mr. Cheung, one of the Group's key management personnel.
2. Metro Key is controlled by Mr. Wen.

In addition to the Related Party Transactions, certain related parties of the Group have provided guarantees to banks to support facilities granted by those banks to the Group, details of which are set out in note 24 to the Accountants' Report.

The Directors are of the view that the Related Party Transactions were conducted on an arm's length basis and normal commercial terms or on terms comparable to those offered by/to the Independent Third Parties, and would not distort the Group's results of operations over the Track Record Period or make the Group's historical results over the Track Record Period not reflective of the Group's expectations for its future performance.

In order to assess the reasonableness of the vessel chartering costs paid by the Group to Eastlink Marine, the Sponsor has performed the following due diligence works:

(i) enquired with the management of the Group (the "**Management**") in respect of the Group's selection basis of suppliers and understood that the Group considers various factors such as the operation background, pricing and service quality in suppliers' selection and maintains a list of suppliers for supplying vessel chartering services, fuel, or repair and maintenance services to the Group from time to time;

(ii) understood from the Management that purchases from suppliers are on normal commercial terms, as evidenced by appropriate management approvals for purchase orders and payments made by the Group to each of Eastlink Marine and other independent third-party suppliers;

(iii) understood from the Management that the relevant vessel chartering costs were generally charged by the suppliers on a monthly basis, calculated by multiplying the period of service and the monthly rate for the hiring of vessel and crew at the same time. Subject to the availability of crew resources, suppliers may only provide the hiring of vessel and a lower monthly rate would be charged in such circumstances. The fluctuations in the vessel chartering costs paid to Eastlink Marine during the Track Record Period was mainly due to the fluctuation in monthly rate applied to the calculation of fees, depending on whether Eastlink Marine provided the relevant hiring of crew at the material time, which in turn subject to the then availability of crew resources of Eastlink Marine;

(iv) understood from the Management that Eastlink Marine provided vessel chartering services to the Group through two tugs with horsepower of 503hp and 800hp respectively and in assessing whether the vessel chartering costs to Eastlink Marine is reasonable, 12 tugs owned by 9 independent third-party suppliers were identified based on the following selection criteria: (a) tugs provided vessel chartering services to the Group during the Track Record Period; (b) tugs with similar specifications as compared to those owned by Eastlink Marine with horsepower of 1,000hp or below; and (c) owners of the tugs charged the Group based on monthly rates for the hiring of vessel and crew;

(v) obtained and reviewed, with full coverage on the 12 tugs with approximately 65 samples, the supporting documents in relation to the tug chartering services provided by Eastlink Marine and noted that the pricing and terms were similar to those provided by other independent third-party suppliers, as evidenced by that (a) the monthly fees (including the hiring of vessel and crew) charged by Eastlink Marine for each tug ranged from approximately HK$150,000 to HK$230,000, while that charged by other independent third-party suppliers for each tug ranged from approximately HK$135,000 to HK$240,000; and (b) payments were made to Eastlink Marine by the Group within 90 days upon receipt of invoice, while that for other independent third-party suppliers for were settled immediately and up to 90 days upon receipt of invoice; and

(vi) discussed with the Internal Control Consultant and understood that no material internal control weakness or insufficiency regarding the Group's procedures for procurement was identified based on the result of the internal control review.

Based on the due diligence works done, the Sponsor concurs with the Directors' view that the transactions conducted between the Group and Eastlink Marine were at arm's length basis and that the pricing and terms offered by Eastlink Marine were comparable to those offered by other independent third-party suppliers of the Group.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at dates indicated:

	As at 31 March			As at 30 September	As at 31 January
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current liabilities					
Amounts due to Directors	1,494	8,609	—	—	—
Amounts due to related parties *(Note 1)*	3,486	2,870	—	—	—
Amount due to Novel Choice *(Note 2)*	—	—	12,500	12,500	12,500
Amount due to Scenic Shipping	—	—	—	2,057	2,057
Bank borrowings	5,321	6,901	608	—	—
	10,301	18,380	13,108	14,557	14,557

Notes:

1. As at 31 March 2016 and 2017, the amounts due to related parties excluded the amounts due to Eastlink Marine of approximately HK$780,000 and HK$769,000, respectively, which were in trade nature.
2. The amount due to Novel Choice is included in the Group's other payables.

Save as disclosed above, the Group did not have any other outstanding indebtedness or contingent liabilities as at 31 January 2019.

As at 30 September 2018 and 31 December 2018, the amount due to Novel Choice represents a shareholder's loan of approximately HK$12.5 million advanced from Kitling (BVI), an immediate and ultimate holding company, to Yun Lee (BVI) in March 2018 and Kitling (BVI) has assigned the entire shareholder's loan to Novel Choice pursuant to the Pre-IPO Investment Subscription Agreement. Such amount is non-interest bearing, unsecured and repayable on demand. For further details, please refer to the section headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus. Kitling (BVI) will waive the shareholder's loan of approximately HK$12.5 million by entering into a deed of waiver with Yun Lee (BVI) upon the deed of assignment being released by Novel Choice when the Exchangeable Note has been converted and exchanged into the Shares upon the Listing. The waiver of the shareholder's loan will be regarded as a deemed contribution from the Controlling Shareholder.

As at 30 September 2018 and 31 January 2019, the amount due to Scenic Shipping is non-trade nature, unsecured, non-interest bearing and repayable on demand. Such amount will be settled in full prior to the Listing Date.

As at 31 January 2019, the Group had total available and unutilised banking facility of approximately HK$13.0 million, and the banking facility was secured by personal guarantees by the Mr. Wen and Ms. Chan.

Save as the aforesaid, apart from intra-group liabilities and normal trade bills, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date for the preparation of this indebtedness statement in this prospectus.

MATERIAL INDEBTEDNESS CHANGE

The Directors confirm that (i) there has not been any material change in the Group's indebtedness and contingent liabilities since 31 January 2019 and up to the Latest Practicable Date; (ii) the Directors are not aware of any material defaults in payment of the Group's trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iii) the bank borrowings and banking facilities are subject to standard banking conditions; and (iv) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank borrowings or bank facilities and none of the Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the operating lease commitments set forth in the sub-section below headed "Operating lease commitments" in this section, as at the Latest Practicable Date, the Group did not have any off-balance sheet commitments or arrangements.

OPERATING LEASE COMMITMENTS

The following table sets out the outstanding commitments as lessee for future minimum lease payments under non-cancellable operating leases which fall due as of the dates indicated:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,188	775	1,429	1,312
In the second to fifth years inclusive	1,093	618	563	382
Total	2,281	1,393	1,992	1,694

Operating lease payments represent rentals payable by the Group for its office property. These leases are negotiated for an average term of one to three years with fixed monthly rental. None of the leases include any contingent rental.

DISTRIBUTABLE RESERVES

As at 30 September 2018, the Group's accumulated distributable profits amounted to approximately HK$68.2 million.

KEY FINANCIAL RATIOS

The following table sets for a summary of the Group's key financial ratios during the Track Record Period:

	Notes	Year ended 31 March			Six months ended 30 September
		2016	**2017**	**2018**	**2018**
Return on total assets	1	17.8%	25.4%	31.7%	N/A
Return on total equity	2	34.7%	53.0%	52.6%	N/A
Net profit margin	3	10.2%	14.7%	17.0%	10.2%
Interest coverage (times)	4	273.3	278.0	882.0	1,817.6

	Notes	As at 31 March			As at 30 September
		2016	**2017**	**2018**	**2018**
Current ratio (times)	5	1.7	1.5	2.0	2.3
Gearing ratio	6	23.7%	34.7%	19.1%	18.6%
Net debt to equity ratio	7	Net cash	Net cash	Net cash	Net cash

Notes:

1. Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year multiplied by 100%. Return on total assets for the six months ended 30 September 2018 is not available due to the lack of profit for the year.
2. Return on total equity is calculated based on the profit for the year divided by total equity at the end of the respective year multiplied by 100%. Return on equity for the six months ended 30 September 2018 is not available due to the lack of profit for the year.
3. Net profit margin is calculated by the profit for the year/period divided by the revenue of the respective year/period multiplied by 100%.
4. Interest coverage is calculated by dividing profit before finance costs and income tax with finance costs for the respective year/period.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the respective year/period.
6. Gearing ratio is calculated based on the total debts (including amounts due to Directors, amounts due to related parties (except for amount due to Eastlink Marine which is trade nature), amount due to Novel Choice, amount due to Scenic Shipping and bank borrowings) divided by total equity at the end of respective year/period multiplied by 100%.
7. Net debt to equity ratio is calculated by dividing total debts (including amounts due to Directors, amounts due to related parties (except for amount due to Eastlink Marine which is trade nature), amount due to Novel Choice, amount due to Scenic Shipping and bank borrowings) minus bank balances and cash, time deposits and restricted bank deposits with total equity as at the end of the respective year/period.

Return on total assets

The Group's return on total assets was approximately 17.8%, 25.4% and 31.7% for each of the three years ended 31 March 2018, respectively. The increase from approximately 17.8% for the year ended 31 March 2016 to approximately 25.4% for the year ended 31 March 2017 was primarily due to the increase in profit and total comprehensive income by approximately 86.1% for the year ended 31 March 2017. The Group's return on total assets increased from approximately 25.4% for the year ended 31 March 2017 to approximately 31.7% for the year ended 31 March 2018 was mainly attributable to the increase in profit and total comprehensive income by approximately 28.9% for the year ended 31 March 2018 whereas the total asset had only increased slightly by approximately 3.0% from approximately HK$110.6 million as at 31 March 2017 to approximately HK$113.9 million as at 31 March 2018.

Return on total equity

The Group's return on total equity was approximately 34.7%, 53.0% and 52.6% for each of the three years ended 31 March 2018, respectively. The increase from approximately 34.7% for the year ended 31 March 2016 to approximately 53.0% for the year ended 31 March 2017 was primarily due to the increase in profit and total comprehensive income by approximately 86.1% for the year ended 31 March 2017. The Group's return on total equity for each of the two years ended 31 March 2018 were relatively stable since the Group maintained similar profitability for both years.

Net profit margin

The Group's net profit margin was approximately 10.2%, 14.7%, 17.0% and 10.2% for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. The increase from approximately 10.2% for the year ended 31 March 2016 to approximately 14.7% for the year ended 31 March 2017 was primarily attributable to the increase in the overall gross profit margin of approximately 4.8% for the year, as compared to the preceding year. The increase from approximately 14.7% for the year ended 31 March 2017 to approximately 17.0% for the year ended 31 March 2018 was primarily attributable to (i) the further increase in the overall gross profit margin of approximately 2.1% for the year due to the significant increase in the average monthly time chartering fee; and (ii) the increase in share of results of associates of approximately HK$1.1 million for the year which is non-taxable in nature. The Group's net profit margin for the six months ended 30 September 2018 after adjustment by adding back the non-recurring Listing expenses of approximately HK$8.2 million would be approximately 19.2%, which is higher than that of approximately 17.0% for the year ended 31 March 2018. Such increase was mainly due to the Group's improved profitability as the Group's gross profit margin of approximately 33.6% for the six months ended 30 September 2018 was higher than that of approximately 28.6% for the year ended 31 March 2018.

Interest coverage

The Group's interest coverage was approximately 273.3 times, 278.0 times, 882.0 times and 1,817.6 times for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. The Group's interest coverage for each of two years ended 31 March 2017 was remained relatively stable. The Group's interest coverage significantly increased from approximately 278.0 times for the year ended 31 March 2017 to approximately 882.0 times for the year ended 31 March 2018 was primarily attributable to the decrease in finance costs by approximately 58.7% for the year due to the decrease in average bank borrowings during the year ended 31 March 2018. The Group's interest coverage significantly increased from approximately 882.0 times for the year ended 31 March 2018 to approximately 1,817.6 times for the six months ended 30 September 2018, which was primarily attributable to the Group's finance costs had reduced to approximately HK$7,000 for the six months ended 30 September 2018, which in turn was due to the decrease in average bank borrowings during the six months ended 30 September 2018.

Current ratio

The Group's current ratio remained stable during the Track Record Period, which was approximately 1.7 times, 1.5 times, 2.0 times and 2.3 times as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, respectively. The decrease from approximately 1.7 times as at 31 March 2016 to approximately 1.5 times as at 31 March 2017 was mainly due to the increase in the amount due to the Directors from approximately HK$1.5 million as at 31 March 2016 to approximately HK$8.6 million as at 31 March 2017. The increase from approximately 1.5 times as at 31 March 2017 to approximately 2.0 times as at 31 March 2018 was mainly due to (i) repayment of amount due to the Directors of approximately HK$8.6 million in the year ended 31 March 2018, and (ii) decrease in the bank borrowings from approximately HK$6.9 million as at 31 March 2017 to approximately HK$0.6 million as at 31 March 2018. The slight increase from approximately 2.0 times as at 31 March 2018 to approximately 2.3 times as at 30 September 2018 was mainly due to the increase in the Group's trade and other receivables, and bank balances and cash by approximately HK$6.2 million and 7.7 million, respectively, while the Group's current liabilities remained at a similar level as at 30 September 2018 as compared to that as at 31 March 2018.

Gearing ratio

The Group's gearing ratio was approximately 23.7%, 34.7%, 19.1% and 18.6% as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018, respectively. The increase from approximately 23.7% as at 31 March 2016 to approximately 34.7% as at 31 March 2017 was mainly due to the increase in the amounts due to the Directors by approximately 476.2% as at 31 March 2017, as compared to that as at 31 March 2016. The decrease from approximately 34.7% as at 31 March 2017 to approximately 19.1% as at 31 March 2018 was primarily attributable to the combined effect of (i) repayment of amounts due to the Directors and the related parties of approximately HK$12.2 million in total during the year ended 31 March 2018; (ii) the decrease in the bank borrowings from approximately HK$6.9 million as at 31 March 2017 to approximately HK$0.6 million as at 31 March 2018; and (iii) the increase in the total equity as at 31 March 2018 due to the increase in profit and total comprehensive income for the year ended 31 March 2018. The Group's gearing ratios as at 31 March 2018 and 30 September 2018 remained at a similar level as the Group's indebtedness as at the corresponding reporting dates remained at a similar level.

Net debt to equity ratio

The Group recorded net cash position as at 31 March 2016, 31 March 2017, 31 March 2018 and 30 September 2018 due to the Group's total cash and cash equivalent were sufficient to cover its total debts as at the end of each of the reporting period.

SENSITIVITY ANALYSIS

During the Track Record Period, the Group's major operating cost components includes (i) vessel chartering costs; (ii) total staff costs and related expenses including Directors' remuneration and benefits; and (iii) subcontracting fees. These three major operating cost components aggregately amounted to approximately HK$113.4 million, HK$139.2 million, HK$152.6 million and HK$56.7 million for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, representing approximately 76.4%, 73.1%, 71.6% and 61.9% of the Group's revenue for the corresponding years/period, respectively. Any material fluctuation in these operating cost components may affect the results of the Group's operations.

The following table sets forth the sensitivity analysis on the Group's major operating cost components, namely (i) vessel chartering costs; (ii) total staff costs and related expenses; and (iii) subcontracting fees, based on the hypothetical fluctuations of 5% and 10%, respectively, and their effects on the Group's profit before and after income tax expense for each of the three years ended 31 March 2018 and the six months ended 30 September 2018 with all other variables held constant.

	Increase/ (decrease) in percentage	**Year ended 31 March**			**Six months ended 30 September**
		2016	**2017**	**2018**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax					
— Vessel chartering costs	5%	(4,029)	(4,381)	(4,812)	(1,604)
	10%	(8,058)	(8,762)	(9,623)	(3,207)
	(5%)	4,029	4,381	4,812	1,604
	(10%)	8,058	8,762	9,623	3,207
— Total staff costs and related expenses	5%	(1,274)	(2,075)	(2,068)	(911)
	10%	(2,548)	(4,150)	(4,135)	(1,822)
	(5%)	1,274	2,075	2,068	911
	(10%)	2,548	4,150	4,135	1,822
— Subcontracting fees	5%	(366)	(503)	(752)	(320)
	10%	(732)	(1,006)	(1,504)	(640)
	(5%)	366	503	752	320
	(10%)	732	1,006	1,504	640

	Increase/ (decrease) in percentage	Year ended 31 March 2016 HK$'000	2017 HK$'000	2018 HK$'000	Six months ended 30 September 2018 HK$'000
Change in profit after tax *(Note)*					
— Vessel chartering costs	5%	(3,364)	(3,658)	(4,018)	(1,339)
	10%	(6,728)	(7,316)	(8,035)	(2,678)
	(5%)	3,364	3,658	4,018	1,339
	(10%)	6,728	7,316	8,035	2,678
— Total staff costs and related expenses	5%	(1,064)	(1,733)	(1,727)	(761)
	10%	(2,127)	(3,466)	(3,453)	(1,521)
	(5%)	1,064	1,733	1,727	761
	(10%)	2,127	3,466	3,453	1,521
— Subcontracting fees	5%	(306)	(420)	(628)	(267)
	10%	(612)	(840)	(1,256)	(535)
	(5%)	306	420	628	267
	(10%)	612	840	1,256	535

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit after tax for the years/period.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period. The capital structure of the Group consists of (i) net debt, which includes bank borrowings, amount(s) due to Directors/an associate/related parties, net of time deposits, restricted bank deposits and bank balances and cash; and (ii) total equity of the Group, comprising issued share capital, merger reserve, other reserve, retained profits and non-controlling interest.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

Financial risk management

The Group's activities expose it to a variety of financial risks which comprise market risk, credit risk and liquidity risk. For further details on the Group's financial risk management objectives and policies, please refer to note 26(b) to the Accountants' Report.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect the Share Offer on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Share Offer had taken place on 30 September 2018.

The statement of unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 or at any future dates following the Share Offer.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2018 as shown in the Accountants' Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on Offer Price of HK$0.50 per Offer Share	78,093	73,003	151,096	0.15
Based on Offer Price of HK$0.60 per Offer Share	78,093	89,878	167,971	0.17

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company of HK$81,126,000 as at 30 September 2018 has been extracted from the Accountants' Report.

2. The estimated net proceeds from the Share Offer are based on 187,500,000 New Shares at the Offer Price of HK$0.50 and HK$0.60 per Share, being the low-end and high-end of the indicated offer price range, after deduction of the estimated underwriting fees and related expenses expected to be incurred by the Group subsequent to 30 September 2018. It does not take into account any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the sections headed "Share capital — General mandate to issue Shares" or "Share capital — General mandate to repurchase Shares" in this prospectus, as the case may be.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It does not take into account any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the sections headed "Share capital — General mandate to issue Shares" and "Share capital — General mandate to repurchase Shares" in this prospectus, as the case may be.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2018.

LISTING EXPENSES

The total estimated expenses in relation to the Listing is approximately HK$38.8 million (based on the mid-point of the Offer Price of HK$0.55 per Share), of which approximately HK$29.1 million is borne by the Group and approximately HK$9.7 million is borne by the Selling Shareholder. For the amount of approximately HK$29.1 million borne by the Group, (i) approximately HK$10.0 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) the remaining amount of approximately HK$19.1 million has been and will be charged to the Group's consolidated statements of profit or loss and other comprehensive income. For the year ended 31 March 2018 and the six months ended 30 September 2018, approximately HK$3.9 million and HK$8.2 million of the Listing expenses has been charged to the Group's consolidated statements of profit or loss and other comprehensive income, respectively. Approximately HK$7.0 million is expected to be charged to the Group's consolidated statements of profit or loss and other comprehensive income for the six months ending 31 March 2019.

Expenses in relation to the Listing are non-recurring in nature. The Directors wishes to inform the Shareholders and potential investors that the Group's financial performance and results of operations for the year ending 31 March 2019 will be affected by the estimated expenses in relation to the Listing.

DIVIDENDS

During the Track Record Period, certain subsidiaries of the Company declared dividends of which the details are set out as below:

	Year ended 31 March			Six months ended 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
KMY Marine	1,500	—	500	—
Yun Lee Tug Boat	1,000	6,500	2,000	—
Universal Marine	2,700	—	—	—
Yun Lee Marine	3,000	12,000	12,100	—
MKK Marine	—	—	7,500	—
	8,200	18,500	22,100	—

No dividend has been paid or declared by the Company since its incorporation. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, certain subsidiaries of the Company declared an interim dividend of approximately HK$8.2 million, HK$18.5 million, HK$22.1 million and nil, respectively, to their then equity owners. All of the aforesaid dividends were fully settled by the Group.

The Group currently does not have a fixed dividend policy. Dividend to be declared and paid in the future will be subject to the discretion of the Directors depending on the Group's business performance, financial conditions, cash availability, related statutory restrictions, future plans and prospects, and any other factors that the Directors may consider relevant. Any declaration and payment, including the amount of the dividends, will be subject to the Group's constitutional documents and relevant laws.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the section headed "Summary — Recent development" in this prospectus and the sub-section headed "Listing expenses" above in this section, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 30 September 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 30 September 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

BUSINESS STRATEGIES AND FUTURE PLANS

For the details of the Group's business strategies and future plans, please refer to the section headed "Business — Business strategies" in this prospectus.

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK$0.55 per Offer Share, being the mid-point of the Offer Price range, will be approximately HK$74.1 million. The Directors presently intend to apply such net proceeds as follows:

(i) approximately HK$48.0 million or 64.9% of the net proceeds for acquiring vessels, details of which are set out in the section headed "Business — Business strategies — Expand the Group's vessel fleet and capacity to capture attractive business opportunities" in this prospectus. The Group intends to acquire a total of 11 vessels, including tugs, work boats, launches, and other types of vessels, the cost of each type of vessels ranges from approximately HK$0.7 million to HK$8.0 million;

(ii) approximately HK$22.0 million or 29.6% of the net proceeds for setting up a shipyard in Hong Kong to provide repair and maintenance services to the Group's self-owned vessels and for third-party owned vessels, of which approximately HK$1.0 million will be earmarked for the rental for land and approximately HK$21.0 million will be earmarked for the construction and acquisition of equipment. For further details, please refer to the section headed "Business — Business strategies — Establish a shipyard to provide vessel repair and maintenance services"; and

(iii) approximately HK$4.1 million or 5.5% of the net proceeds for hiring of 43 new staff, including 15 coxswains, 16 engine operators, eight other crew members, three technical support staff and one operation and procurement staff, and their remuneration for the first four months. For further details, please refer to the section headed "Business — Business strategies — Further expand the Group's manpower and enhance the skills of its staff".

In the event that the Offer Price is fixed at the high-end or the low-end compared to the mid-point of the Offer Price range, being HK$0.60 and HK$0.50 per Offer Share, the net proceeds of the Share Offer will increase or decrease by approximately HK$8.4 million or HK$8.5 million, respectively, and the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

Assuming the Offer Price is fixed at HK$0.55 per Share (being the mid-point of the indicative range of the Offer Price), the Group estimates that the Selling Shareholder will receive net proceeds of approximately HK$24.7 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. The Group will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

The Group will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

REASONS FOR THE LISTING

The Directors believe that the Share Offer will enhance the Group's competitiveness and capital base, the followings are the main reasons for the Listing:

Provide financial resources for the Group to implement its business strategies and future plans

The net proceeds from the Share Offer will provide financial resources for the Group to facilitate its business strategies and future plans as set out in the section headed "Business — Business strategies" in this prospectus. The Directors consider that the capital raised though the Share Offer would strengthen its cash flow position which in turn will enable the Group to cope with future business expansion.

Enhance the Group's corporate profile to capture potential business opportunities

Companies listed on the Stock Exchange are subject to continuous regulatory compliance, financial disclosure and corporate governance. The Directors believe that the public access to the Group's corporate and financial information will increase the confidence of its customers, suppliers and subcontractors on the Group, which in turn will help the Group in capturing potential business opportunities and improve the Group's creditability with its customers, suppliers and subcontractors.

Provide a fund-raising platform for the Group

The Directors believe that the Listing would provide a fund-raising platform for the Company to raise the capital required to fund its further expansion and long-term development needs without reliance on the Controlling Shareholders. Such platform would allow the Company to gain direct access to the capital market for equity and/or debt financing, both at the time of the Listing as well as at later stage, to fund its existing operations and future expansion, which could be instrumental to its expansion and improving its operating and financial performance to enhance Shareholders' return.

Diversification of Shareholder base

The Shares will be freely traded on the Stock Exchange upon the Listing. The Directors believe that would diversify and broaden the Company's Shareholder base, which could potentially lead to a more liquid market in the trading of the Shares as compared to the limited liquidity of the Shares that are privately held before the Listing. Furthermore, the Directors believe that the Group's internal control and corporate governance practices could be further enhanced following the Listing, which will in turn increase the confidence of its customers, suppliers and subcontractors on the Group.

PUBLIC OFFER UNDERWRITERS

Business Securities Limited
SBI China Capital Financial Services Limited

PUBLIC OFFER SUB-UNDERWRITER

GT Capital Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company and the Selling Shareholder are initially offering for subscription of 225,000,000 Public Offer Shares (comprising 187,500,000 New Shares and 37,500,000 Sale Shares) at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. Subject to, among other matters, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and any shares which may be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Shares Option Scheme), the Offer Price having been determined by the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or around Monday, 11 March 2019 but in any event not later than Tuesday, 12 March 2019, the Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may in their sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to the Company (for itself and on behalf of the Selling Shareholder) at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

(i) there shall develop, occur, exist or come into effect:

(a) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of the Group; or

(b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or is/are likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, the Cayman Islands or any other jurisdictions where any member of the Group is incorporated or operates (collectively, the "**Relevant Jurisdictions**"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) any new laws or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

(f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

(g) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

(h) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Tokyo Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market or the Nasdaq National Market, or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (ii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority) or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, under any laws in or affecting any of the Relevant Jurisdictions; or

(j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, severe snow or hail storms, flooding, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

(k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed "Risk factors" in this prospectus; or

(l) any change in the system under which the value of the Hong Kong dollars is linked to that of the U.S. dollars or a material devaluation of Hong Kong dollars against any foreign currency; or

(m) any demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(n) save as disclosed in this prospectus, a contravention by any member of the Group of the Listing Rules or applicable laws; or

(o) a prohibition on the Company and/or the Selling Shareholder for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Share Offer; or

(p) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

(q) other than with the prior approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue by the Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(r) an order is made or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto in respect of any member of the Group; or

(s) any loss or damage sustained by any member of the Group; or

(t) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or

(u) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a director or from taking part in the management of a company; or

(v) the chairman or president of the Company vacating his office; or

(w) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or

(x) the Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or

(y) any person (other than the Sponsor, the Joint Bookrunners and any of the Public Offer Underwriters and their legal advisers) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Documents (as defined in the Public Offer Underwriting Agreement), or to the issue of any such documents; or

(z) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which, whether individually or in the aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of the Group taken as a whole; or

(b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

(ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:

(a) any of the warranties given by the Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Bookrunners (in their sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(b) any statement contained in this prospectus or the Application Forms, the formal notice or any announcement issued by the Company in respect of the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus, the Application Forms, the formal notice or any announcements issued by the Company in respect of the Public Offer, the Placing and/or the Share Offer were to be issued at that time, constitute a material omission therefrom as determined by the Joint Bookrunners (in their sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by the Company in connection with the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) there has been a material breach on the part of any of the Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Joint Bookrunners (in their sole and absolute discretion).

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by the Company

The Company has undertaken to the Sponsor, the Joint Bookrunners and the Public Offer Underwriters that the Company shall, and each of the Controlling Shareholders have undertaken to the Sponsor, the Joint Bookrunners and the Public Offer Underwriters to procure the Company, among others, that:

(a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Joint Bookrunners, and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-month Period**");

(b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of the Company) or repurchase any Shares or securities of the Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of the Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

(c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**") do any of the acts set out in (a) and (b) above such that any of the Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of the Company (within the meaning defined in the Listing Rules); or

(d) in the event that the Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or any of the acts set out in clause (c) after the expiry of the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of the Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict the Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of the Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Joint Bookrunners, the Public Offer Underwriters and the Company, among others, that:

(a) he or she or it shall not, without the prior written consent (which consent shall not be unreasonably withheld) of the Joint Bookrunners, directly or indirectly, and shall procure that none of his or her or its associates (as defined in the Listing Rules) or companies controlled by him or her or it or any nominee or trustee holding in trust for him or her or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or she or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of the Company at any time during the Second Six-month Period; and (2) he or she or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of the Company or any interest therein.

Without prejudice to the Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor, the Joint Bookrunners, the Public Offer Underwriter and the Company that within the First Six-month Period and the Second Six-month Period, he or she or it shall:

(a) if and when he or she or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of the Company beneficially owned by him or her or it (or any beneficial interest therein), immediately inform the Company, the Sponsor and the Joint Bookrunners in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he or she or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in the Company (or any beneficial interest therein) pledged or charged by him or her or it will be disposed of, immediately inform the Company, the Sponsor and the Joint Bookrunners in writing of such indications.

The Company shall notify the Stock Exchange as soon as the Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and the Company that except pursuant to the Share Offer or unless in compliance with the requirements of the Listing Rules, he or she or it shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of his or her or its shareholding in the Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of the Company in respect of which he or she or it is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be the Controlling Shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have further undertaken to the Company and the Stock Exchange that he or she or it will, within a period of commencing on the date by reference to which disclosure of his or her or its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform the Company of:

(a) pledges or charges of any Shares or other securities of the Company beneficially owned by any of the Controlling Shareholders in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of such Shares or other securities of the Company so pledged or charged; and

(b) when he or she or it or the relevant registered holders receive indication, either verbal or written, from any pledgee or chargee of any of the pledged or charges Shares or other securities of the Company pledged or charged that any of such securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it is informed of the above matters by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertaking by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that the Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 25,000,000 Placing Shares (comprising 25,000,000 Sale Shares) initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to, among other things, the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, the Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the sub-section headed "Lock-up undertakings pursuant to the Public Offer Underwriting Agreement" above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive underwriting commissions of 10.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Public Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing.

Based on the Offer Price of HK$0.55 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK$38.8 million in total and are payable by the Company.

The Selling Shareholder will pay underwriting commission in respect of the Sale Shares.

SPONSOR'S AND UNDERWRITERS' INTEREST IN THE COMPANY

The Sponsor will receive a documentation fee. The Joint Bookrunners and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the sub-section headed "Public Offer underwriting arrangements and expenses — Commission and expenses" above in this section.

The Company has appointed Messis Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of financial results of the Group for the first full financial year commencing after the Listing Date.

As at the Latest Practicable Date and save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of the Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

The Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Messis Capital is the Sponsor. Business Securities Limited and SBI China Capital Financial Services Limited are the Joint Bookrunners.

The Share Offer consists of (subject to re-allocation):

- the Public Offer of 225,000,000 Shares (comprising 187,500,000 New Shares offered by the Company and 37,500,000 Sale Shares offered by the Selling Shareholder) (subject to re-allocation as mentioned below) in Hong Kong as described below under the sub-section headed "The Public Offer" in this section; and

- the Placing of 25,000,000 Shares (comprising 25,000,000 Sale Shares offered by the Selling Shareholder) (subject to re-allocation as mentioned below) are to be offered to professional, institutional and other investors as described below under the sub-section headed "The Placing" in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to re-allocation as described in the sub-section headed "Pricing and allocation" below in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$0.60 per Offer Share and is expected to be not less than HK$0.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price will be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, and such Offer Price may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK$0.60 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$2,424.18 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on application for certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK$0.60, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed "How to apply for Public Offer Shares — 13. Refund of application monies" in this prospectus.

Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about Monday, 11 March 2019.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 11 March 2019 and in any event, no later than Tuesday, 12 March 2019.

If, for any reason, the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 12 March 2019, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of the Group (for itself and on behalf of the Selling Shareholder), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer:

(a) issue a supplemental prospectus, as the relevant laws or Government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Share Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 15 March 2019 on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.yunlee.com.hk**.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — 11. Publication of results" in this prospectus.

PUBLIC OFFER UNDERWRITING AGREEMENT

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to, amongst other things, the Company and the Joint Bookrunners agreeing on the Offer Price. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares pursuant to the Public Offer and the Placing will be conditional on, amongst other things:

(i) the execution of the Placing Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date;

(ii) the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee, and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date;

(iii) the Company, the executive Directors and the Controlling Shareholders have, in all material respects, complied with the Underwriting Agreements and satisfied all the obligations and conditions on their parts under the Underwriting Agreements to be performed or satisfied on or prior to the respective times and dates by which such obligations must be performed or conditions met; and

(iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, amongst other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by the Company on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.yunlee.com.hk** on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Friday, 15 March 2019 but will only become valid certificates of title at 8:00 a.m. on Monday, 18 March 2019, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

The Company is initially offering 225,000,000 Shares (comprising 187,500,000 New Shares and 37,500,000 Sale Shares) at the Offer Price, representing 90% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 22.5% of the total issued share capital of the Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the sub-section headed "Conditions of the Share Offer" in this section.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 112,500,000 Public Offer Shares and Pool B will comprise 112,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK$5.0 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK$5.0 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 112,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Re-allocation

If the Public Offer is not fully subscribed, the Joint Bookrunners have the authority to re-allocate all or any unsubscribed Public Offer Shares to the Placing in such proportions as the Joint Bookrunners deem appropriate.

Applications

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares initially offered

Subject to the re-allocation as described above, the number of Offer Shares to be initially offered under the Placing will be 25,000,000 Shares (comprising 25,000,000 Sale Shares), representing 10% of the total number of the Offer Shares initially available under the Share Offer. Subject to the re-allocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 2.5% of the Company's enlarged issue share capital immediately after the completion of the Share Offer, but without taking into account Shares which may be issued upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of the Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the sub-section headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole. The Joint Bookrunners may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Re-allocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the arrangement as described in the sub-section headed "The Public Offer — Re-allocation" above in this section. For details, please refer to the sub-section headed "The Public Offer — Re-allocation" above in this section.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 18 March 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 18 March 2019. The Shares will be traded in board lots of 4,000 Shares.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States of America, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 4 March 2019 until 12:00 noon on Monday, 11 March 2019 from:

(i) the following offices of the Joint Bookrunners:

Business Securities Limited at 18 - 21/F, 83 Queen's Road East, Wanchai, Hong Kong

SBI China Capital Financial Services Limited at Unit A2 32/F United Centre, 95 Queensway, Hong Kong

(ii) any of the following branches of DBS Bank (Hong Kong) Limited:

District	Branch name	Branch address
Hong Kong Island	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Mei Foo Branch	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street
	Nathan Road — SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 4 March 2019 until 12:00 noon on Monday, 11 March 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited — Yun Lee Marine Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 4 March 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, 5 March 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 6 March 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 7 March 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 8 March 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 9 March 2019 — 9:00 a.m. to 1:00 p.m.
Monday, 11 March 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 11 March 2019, the last application day or such later time as described in the sub-section headed "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, amongst other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of the Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

Individuals who meet the criteria in the sub-section headed "2. Who can apply" in this section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 4 March 2019 until 11:30 a.m. on Monday, 11 March 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 11 March 2019 or such later time under the sub-section headed "10. Effect of bad weather on the opening of the application lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Memorandum and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions*(Note)*

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, 4 March 2019 — 9:00 a.m. to 8:30 p.m.
Tuesday, 5 March 2019 — 8:00 a.m. to 8:30 p.m.
Wednesday, 6 March 2019 — 8:00 a.m. to 8:30 p.m.
Thursday, 7 March 2019 — 8:00 a.m. to 8:30 p.m.
Friday, 8 March 2019 — 8:00 a.m. to 8:30 p.m.
Monday, 11 March 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 4 March 2019 until 12:00 noon on Monday, 11 March 2019 (24 hours daily, except on Monday, 11 March 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 11 March 2019, the last application day or such later time as described in the sub-section headed "10. Effect of bad weather on the opening of the application lists" in this section.

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 11 March 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for application for certain numbers of Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 11 March 2019. Instead they will open between 9:00 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 11 March 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 15 March 2019 on the Company's website at **www.yunlee.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.yunlee.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 15 March 2019;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 15 March 2019 to 12:00 midnight on Thursday, 21 March 2019;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 15 March 2019 to Wednesday, 20 March 2019 (excluding Saturday and Sunday);

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 15 March 2019 to Tuesday, 19 March 2019 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do so by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **HK eIPO White Form**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 15 March 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 15 March 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 18 March 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 15 March 2019 or such other date as notified by the Company on the Company's website at **www.yunlee.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 15 March 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for the collection of your refund cheques. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 15 March 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 15 March 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the sub-section headed "11. Publication of results" in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 15 March 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 15 March 2019, or such other date as notified by the Company on the Company's website at **www.yunlee.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 15 March 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 15 March 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-section headed "11. Publication of results" in this section on Friday, 15 March 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 15 March 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 15 March 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 15 March 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUN LEE MARINE GROUP HOLDINGS LIMITED AND MESSIS CAPITAL LIMITED

Introduction

We report on the historical financial information of Yun Lee Marine Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I - 4 to I - 78, which comprises the consolidated statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 September 2018, the statements of financial position of the Company as at 31 March 2018 and 30 September 2018 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 Group for each of the three years ended 31 March 2018 and the six months ended 30 September 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I - 4 to I - 78 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company, dated 4 March 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

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 and presentation 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 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 Group's financial position as at 31 March 2016, 2017 and 2018 and 30 September 2018 and of the Company's financial position as at 31 March 2018 and 30 September 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation 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 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 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative 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 and presentation 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 I - 4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries and states that no dividends have been declared or paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
4 March 2019

HISTORICAL FINANCIAL INFORMATION OF THE 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 Group for the Track Record Period, 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 (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand dollar (HK$'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	**2016**	**2017**	**2018**	**2017**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	6	148,373	190,392	213,048	112,417	91,540
Cost of revenue		(116,107)	(139,898)	(152,070)	(79,308)	(60,777)
Gross profit		32,266	50,494	60,978	33,109	30,763
Other income	7	287	887	1,337	979	769
Other gains and losses	7	—	5	3,920	—	—
Administrative expenses		(13,970)	(18,268)	(19,813)	(8,926)	(10,980)
Finance costs	8	(68)	(121)	(50)	(27)	(7)
Share of results of associates		—	519	1,563	842	415
Listing expenses		—	—	(3,886)	—	(8,244)
Profit before taxation		18,515	33,516	44,049	25,977	12,716
Income tax expenses	9	(3,441)	(5,464)	(7,880)	(4,350)	(3,366)
Profit and total comprehensive income for the year/period	10	15,074	28,052	36,169	21,627	9,350
Profit and total comprehensive income for the year/period attributable to:						
- owners of the Company		10,644	22,162	32,398	19,322	9,350
- non-controlling interests		4,430	5,890	3,771	2,305	—
		15,074	28,052	36,169	21,627	9,350
Earnings per share — Basic (HK cents)	13	1.31	2.73	3.99	2.38	1.15

STATEMENTS OF FINANCIAL POSITION

		The Group				The Company	
		As at 31 March			As at 30 September	As at 31 March	As at 30 September
	NOTES	**2016**	**2017**	**2018**	**2018**	**2018**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Property, plant and equipment	14	21,469	26,598	24,852	23,768	—	—
Interest in a subsidiary	28(a)	—	—	—	—	—	63,504
Interests in associates	15	—	521	3,809	4,224	—	—
Rental deposits		172	190	—	155	—	—
		21,641	27,309	28,661	28,147	—	63,504
Current assets							
Trade and other receivables	16	38,288	51,325	42,080	48,296	1,124	3,522
Tax recoverable		220	9	—	—	—	—
Amounts due from directors	17	7,188	269	—	—	—	—
Amount due from an associate	17	—	5,687	3,443	—	—	—
Restricted bank deposits	18	—	5,000	—	—	—	—
Time deposits	18	—	—	1,131	—	—	—
Bank balances and cash	18	17,261	20,980	38,613	46,334	—	98
		62,957	83,270	85,267	94,630	1,124	3,620
Current liabilities							
Trade and other payables	19	26,086	30,751	34,438	29,650	1,100	2,266
Amounts due to directors	17	1,494	8,609	—	—	—	—
Amounts due to fellow subsidiaries	17	—	—	—	—	3,910	—
Amounts due to subsidiaries	17	—	—	—	—	—	14,542
Amounts due to associates	17	—	—	388	2,346	—	—
Amounts due to related parties	17	4,266	3,639	—	—	—	—
Tax payables		766	4,127	6,187	9,170	—	—
Bank borrowings	20	5,321	6,901	608	—	—	—
		37,933	54,027	41,621	41,166	5,010	16,808

		The Group				The Company	
		As at 31 March			As at 30 September	As at 31 March	As at 30 September
	NOTES	**2016**	**2017**	**2018**	**2018**	**2018**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net current assets (liabilities)		25,024	29,243	43,646	53,464	(3,886)	(13,188)
Total assets less current liabilities		46,665	56,552	72,307	81,611	(3,886)	50,316
Non-current liability							
Deferred tax liabilities	21	3,268	3,603	3,564	3,518	—	—
Net assets (liabilities)		43,397	52,949	68,743	78,093	(3,886)	50,316
Capital and reserves							
Share capital	22	97	97	78	—*	—*	—*
Reserves	28(b)	36,683	43,270	68,665	78,093	(3,886)	50,316
Equity attributable to owners of the Company		36,780	43,367	68,743	78,093	(3,886)	50,316
Non-controlling interests		6,617	9,582	—	—	—	—
Total equity (deficit)		43,397	52,949	68,743	78,093	(3,886)	50,316

* Less than HK$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Merger reserve**	**Other reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note a)	*(Note b)*				
At 1 April 2015	96	—	—	—	32,786	32,882	3,631	36,513
Profit and total comprehensive income for the year	—	—	—	—	10,644	10,644	4,430	15,074
Deemed disposal of partial interest in MKK Marine Services Limited ("MKK Marine") (Note 29(b))	1	—	—	3	—	4	6	10
Dividends recognised as distributions (Note 12)	—	—	—	—	(6,750)	(6,750)	(1,450)	(8,200)
At 31 March 2016	97	—	—	3	36,680	36,780	6,617	43,397
Profit and total comprehensive income for the year	—	—	—	—	22,162	22,162	5,890	28,052
Dividends recognised as distributions (Note 12)	—	—	—	—	(15,575)	(15,575)	(2,925)	(18,500)
At 31 March 2017	97	—	—	3	43,267	43,367	9,582	52,949
Profit and total comprehensive income for the year	—	—	—	—	32,398	32,398	3,771	36,169
Effect of reorganisation	(20)	—	20	—	—	—	—	—
Issue of shares	1	—	—	1,724	—	1,725	—	1,725
Acquisition of additional interest in subsidiaries	—	—	—	8,103	—	8,103	(8,103)	—
Dividends recognised as distributions (Note 12)	—	—	—	—	(16,850)	(16,850)	(5,250)	(22,100)
At 31 March 2018	78	—	20	9,830	58,815	68,743	—	68,743
Profit and total comprehensive income for the period	—	—	—	—	9,350	9,350	—	9,350
Effect of reorganisation	(78)	63,504	(63,426)	—	—	—	—	—
At 30 September 2018	—*	63,504	(63,406)	9,830	68,165	78,093	—	78,093

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Merger reserve**	**Other reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note a)	*(Note b)*				
For the six months ended 30 September 2017 (unaudited)								
At 1 April 2017	97	—	—	3	43,267	43,367	9,582	52,949
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	19,322	19,322	2,305	21,627
At 30 September 2017 (unaudited)	97	—	—	3	62,589	62,689	11,887	74,576

* *Less than HK$1,000*

Notes:

(a) Merger reserve mainly represents the difference between the total equity of Yun Lee Marine Holdings (BVI) Limited ("Yun Lee (BVI)") acquired and the nominal value of share capital of the entities pursuant to the reorganisation as set out in Note 2.

(b) Amounts represent (i) the difference between the changes in share of net asset of a subsidiary by the non-controlling shareholders and the capital injection by non-controlling shareholders upon completion of share allotment; (ii) the difference between the par value of the allotted shares of Yun Lee (BVI) and the fair value of equity interest in Eastlink Marine Services Limited ("Eastlink Marine"), an associate of the Group, pursuant to the reorganisation as set out in Note 2 and (iii) the difference between the amount by which the non-controlling interests are adjusted and the consideration paid arising from acquisition of additional interest in subsidiaries by the Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities					
Profit before taxation	18,515	33,516	44,049	25,977	12,716
Adjustments for:					
Depreciation of property, plant and equipment	1,693	2,017	2,260	1,154	1,144
Gain on disposal of property, plant and equipment	—	—	(8)	—	—
Interest income from banks	—	(4)	(85)	(18)	(36)
Share of results of associates	—	(519)	(1,563)	(842)	(415)
Finance costs	68	121	50	27	7
Operating cash flows before movements in working capital	20,276	35,131	44,703	26,298	13,416
(Increase) decrease in trade and other receivables and rental deposits	(12,751)	(13,055)	10,559	(1,308)	(3,973)
Increase (decrease) in trade and other payables	12,174	2,984	(7,407)	3,618	(5,080)
Increase (decrease) in amount due to a related party	165	(11)	—	136	—
Decrease in amount due to an associate	—	—	(381)	—	(99)
Cash generated from operations	19,864	25,049	47,474	28,744	4,264
Income tax paid	(3,511)	(1,557)	(5,850)	—	(429)
Interest paid	(68)	(121)	(50)	(27)	(7)
Net cash from operating activities	16,285	23,371	41,574	28,717	3,828
Investing activities					
Advances to directors	(8,167)	(18,987)	(11,083)	(10,944)	—
Purchase of property, plant and equipment	(2,000)	(5,465)	(2,195)	(2,160)	(60)
Proceeds from disposal of property, plant and equipment	—	—	8	—	—
Advance to an associate	—	(5,687)	—	—	—
Repayment from an associate	—	—	2,244	1,154	3,443
Placement of restricted bank deposits	—	(5,000)	—	—	—
Withdrawal of restricted bank deposits	—	—	5,000	—	—
Acquisition of an associate	—	(2)	—	—	—
Repayment from directors	1,220	7,406	1,257	869	—
Interest received from banks	—	4	64	18	57
Placement of time deposits	—	—	(1,110)	(1,110)	—
Withdrawal of time deposits	—	—	—	—	1,110
Net cash (used in) from investing activities	(8,947)	(27,731)	(5,815)	(12,173)	4,550

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Financing activities					
Repayment of bank borrowings	(19,180)	(4,015)	(64,793)	(14,282)	(10,608)
Repayment to directors	(11,489)	(269)	(12,126)	(2,347)	—
Advance from directors	9,456	7,384	1,512	1,512	—
Dividends paid	(4,500)	—	(10,000)	—	—
New bank borrowings raised	20,000	8,314	58,500	8,500	10,000
Advance from related parties	3,486	—	—	—	—
Proceeds from issue of shares	10	—	—	—	—
Repayment to related parties	—	(616)	(2,870)	—	—
Advance from a controlling shareholder	—	—	12,500	—	—
Advance from an associate	—	—	—	—	2,057
Payment of deferred issue costs	—	—	(849)	—	(2,106)
Net cash (used in) from financing activities	(2,217)	10,798	(18,126)	(6,617)	(657)
Net increase in cash and cash equivalents	5,121	6,438	17,633	9,927	7,721
Cash and cash equivalents at beginning of the year/period	9,421	14,542	20,980	20,980	38,613
Cash and cash equivalents at end of the year/period, represented by	14,542	20,980	38,613	30,907	46,334
Bank balances and cash	17,261	20,980	38,613	30,907	46,334
Bank overdrafts	(2,719)	—	—	—	—
	14,542	20,980	38,613	30,907	46,334

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2018. The addresses of the Company's registered office and the principal place of business are disclosed in the section "Corporate Information" in the Prospectus. Its immediate and ultimate holding company is Kitling Investments (BVI) Limited ("Kitling (BVI)"). The ultimate controlling shareholders of the Group are Mr. Wen Tsz Kit Bondy ("Mr. Wen") and Ms. Chan Sau Ling Amy ("Ms. Chan"), the spouse of Mr. Wen, who have historically and throughout the Track Record Period collectively exercised their control over the entities comprising the Group through their respective interests in these companies for the interest of the family of Mr. Wen, collectively as the controlling shareholders (the "Controlling Shareholders").

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in vessel chartering and ship management services.

The Historical Financial Information is presented in HK$, which is the same as the functional currency of the Company and its subsidiaries.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The companies now comprising the Group underwent a series of reorganisation (the "Reorganisation"). Prior to the Reorganisation, KMY Marine Works & Supplies Limited ("KMY Marine"), MKK Marine, Yun Lee Tug Boat Company Limited ("Yun Lee Tug Boat"), Universal Marine Services Limited ("Universal Marine") and Yun Lee Marine Holdings Limited ("Yun Lee Marine") (collectively referred to as the "Entities") were ultimately controlled by the Controlling Shareholders, with 33.33%, 30%, 55%, 100% and 100% beneficial interests over KMY Marine, MKK Marine, Yun Lee Tug Boat, Universal Marine and Yun Lee Marine, respectively.

On 9 October 2017, 45% of the issued share capital of Yun Lee Tug Boat was acquired by Mr. Wen from Mr. Wen Yiu Pui in consideration of HK$54,000.

On 7 November 2017, Kitling (BVI) which was incorporated in the British Virgin Islands (the "BVI") with limited liability and was owned as to 70% by Mr. Wen and 30% by Ms. Chan.

On 5 December 2017, 66.67% of the issued share capital of KMY Marine was acquired by Mr. Wen from Mr. Ng Wing Yiu and Mr. Chow Wai Ming in consideration of HK$188,000 and HK$188,000, respectively.

On 27 December 2017, Yun Lee (BVI) which was incorporated in the BVI with limited liability on 16 November 2017, acquired the followings:

- 40% of the issued share capital of Eastlink Marine from Mr. Wen in consideration of Yun Lee (BVI) allotting and issuing its own 123 shares with par value of United States Dollars ("US$") 1 each to Kitling (BVI);

- 100% of the issued share capital of KMY Marine and Yun Lee Tug Boat from Mr. Wen in consideration of Yun Lee (BVI) allotting and issuing its own 85 and 774 shares with par value of US$1 each to Kitling (BVI), respectively;

- 100% of the issued share capital of Universal Marine and Yun Lee Marine from the Controlling Shareholders in consideration of Yun Lee (BVI) allotting and issuing its own 25 and 7,659 shares with par value of US$1 each to Kitling (BVI), respectively; and

- 30%, 30% and 40% of the issued share capital of MKK Marine from Mr. Wen, Mr. Chow Wai Ming and Mr. Cheung Tai Kee, respectively, in consideration of Yun Lee (BVI) allotting and issuing its own 400, 400 and 533 shares with par value of US$1 each to Kitling (BVI), Mr. Chow Wai Ming and Mr. Cheung Tai Kee, respectively.

Immediately after 27 December 2017, each of Eastlink Marine and Scenic Shipping Company Limited ("Scenic Shipping") became an associate of Yun Lee (BVI) and each of KMY Marine, MKK Marine, Yun Lee Tug Boat, Universal Marine and Yun Lee Marine became a wholly-owned subsidiary of Yun Lee (BVI).

Pursuant to the Reorganisation, which was completed by interspersing the Company and Yun Lee (BVI) between the Entities and their shareholders in the way that the Company allotted and issued 9,067, 533 and 400 Shares to Kitling (BVI), Mr. Cheung Tai Kee and Mr. Chow Wai Ming respectively as the consideration of the transfer of the entired issued share capital of Yun Lee (BVI) to the Company, the Company became the holding company of the companies now comprising the Group on 14 September 2018. The Entities are under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the Track Record Period, have been prepared as if the Company had always been the holding company of the Group and the group structure upon the completion of the Reorganisation, except for the 66.67%, 70% and 45% equity interest in KMY Marine, MKK Marine and Yun Lee Tug Boat respectively held by parties other than the Controlling Shareholders had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where it is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure, except for the 66.67%, 70% and 45% equity interest in KMY Marine, MKK Marine and Yun Lee Tug

Boat respectively held by parties other than the Controlling Shareholders had been in existence at those dates. The transfers of the 66.7%, 70% and 45% equity interest in KMY Marine, MKK Marine and Yun Lee Tug Boat were considered as transactions of changes in the Group's ownership interests in existing subsidiaries.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA, which are effective for the accounting periods beginning on 1 April 2018 throughout the Track Record Period except that the Group adopted HKFRS 9 "Financial Instruments" on 1 April 2018 and HKAS 39 "Financial Instruments: Recognition and Measurement" for the three years ended 31 March 2018. The accounting policies for financial instruments under HKAS 39 and HKFRS 9 are set out in note 4 below.

HKFRS 9 "Financial Instruments"

During the six months ended 30 September 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

Classification and measurement of financial assets

The application of HKFRS 9 on 1 April 2018 has no impact on the consolidated financial position of the Group with regard to classification and measurement of financial instruments. All financial assets classified as loans and receivables and financial liabilities measured at amortised cost under HKAS 39 continued to be measured at amortised cost under HKFRS 9.

Impairment of financial assets

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9. No ECL allowance is recognised as the amount involved is insignificant.

At the date of this report, the HKICPA has issued the following new, amendments and interpretations to HKFRSs that are not yet effective. The Group has not early adopted these new standards, amendments and interpretations to HKFRSs.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

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

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 "Revenue from Contracts with Customers" as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 September 2018, the Group has non-cancellable operating lease commitments of HK$1,694,000 as disclosed in Note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$451,000 as at 30 September 2018 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The directors of the Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in increase in the Group's right-of-use assets and related lease liabilities. The combination of straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the lease liabilities will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on facts and circumstances as at 30 September 2018, the directors of the Company do not expect the application of HKFRS 16 will have a material impact on the financial performance of the Group.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

Except for the HKFRS 16 described above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the future financial information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on historical cost basis as explained in the accounting policies set out below. 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 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 the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries.

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

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combined entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combined entities or businesses from the earliest date presented or since the date when the combined entities or businesses first came under the common control, where this is a shorter period.

Investment in a subsidiary

Investment in a subsidiary included in the Company's statements of financial position is stated at cost less any identified impairment loss.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of the promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The 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 a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over the period of the contract 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 Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the 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 good or service.

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 Group's performance in transferring control of services.

For contracts for vessel chartering and related services and ship management services, the Group bills for each period of service provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts is not disclosed.

The Group recognises revenue from the following major sources:

(a) Vessel chartering and related services

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. The Group recognises the fee received or receivable as its revenue over time in the period in which the customers simultaneously receive and consume the benefits provided by the Group's performance as services are performed by the Group.

(b) Ship management services

The Group provides ship management services for two vessels which transport the dewatered sludge from Stonecutter Island and other designated sites to the sludge treatment facilities located at Nim Wan, Tuen Mun. The Group recognises the fee received or receivable as its revenue over time in the period in which the customers simultaneously receive and consume the benefits provided by the Group's performance as services are performed by the Group.

Investments in associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in this Historical Financial Information using the equity method of accounting. The financial information of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in associates are accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When an objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interests in associates but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Property, plant and equipment

Property, plant and equipment held for use in the provision of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, 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 property, 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 property, 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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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.

Financial assets

Before the adoption of HKFRS 9 on 1 April 2018

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount(s) due from directors/an associate, restricted bank deposits, time deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio passed the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

After the adoption of HKFRS 9 on 1 April 2018

Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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 through profit or loss.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets, 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.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances and cash). 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. Assessment is done based on the 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 Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually.

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the 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 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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; and

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

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The 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.

Definition of default

For internal credit risk management, the 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 Group (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterpart is in severe financial difficulty and there is no realistic prospect of recovery, e.g. 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 Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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 adjusted by 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 Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or caters for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status; and
- nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 costs of the financial asset.

Derecognition of financial assets

The 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 party.

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 issued by a group entity are classified as either financial liabilities or as equity in accordance with 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 a group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

Financial liabilities including trade and other payables, amount(s) due to directors/fellow subsidiaries/subsidiaries/ associates/related parties and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

All of the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or where appropriate, a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the 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, including any non-cash assets transferred or liabilities assumed, 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, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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).

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those 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 tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 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 the cash-generating unit) is reduced to its recoverable amount. 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

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.

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 before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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 base 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 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 interests in subsidiaries and associates, except where the 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 interest is 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 Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 on-going 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.

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Control over KMY Marine and MKK Marine

Note 29 describes that KMY Marine and MKK Marine are the subsidiaries of the Group although the Group has only 33.33% and 30% ownership interest, respectively, as at 31 March 2016 and 2017.

The directors of the Company assessed whether or not the Group has control over KMY Marine and MKK Marine throughout the Track Record Period. Pursuant to agreements, Mr. Wen has sufficient dominant voting interest to direct the relevant activities of KMY Marine and MKK Marine as Mr. Wen has the right to appoint and remove any directors from time to time and he is entitled to a casting vote in all decisions of the board of directors of KMY Marine and MKK Marine. In addition, the remaining shareholders of KMY Marine and MKK Marine vested all the management rights and decision-making powers in respect of KMY Marine and MKK Marine to Mr. Wen.

After this assessment and after consulting their legal counsel, the directors of the Company concluded that Mr. Wen has the current ability to direct the relevant activities of KMY Marine and MKK Marine and affect the amount of the Group's return. Therefore, the Group has control over KMY Marine and MKK Marine throughout the Track Record Period.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and key source of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The Group assesses annually the residual values and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation charge in the period in which such estimate is changed and in future periods. As at 31 March 2016, 2017 and 2018 and 30 September 2018, the carrying amounts of the Group's property, plant and equipment are HK$21,469,000, HK$26,598,000, HK$24,852,000 and HK$23,768,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from provision of vessel chartering and related services and ship management services during the Track Record Period.

Information reported to the director of the Company, Mr. Wen, being the chief operating decision maker (the "CODM") of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of service provided. The Group's operating segments are classified as (i) Vessel chartering and related services and (ii) Ship management services. The details of the Group's operating segments are as follows:

(i)	Vessel chartering and related services:	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.
(ii)	Ship management services:	The Group provides ship management services for two vessels which transport the dewatered sludge from Stonecutter Island and other designated sites to the sludge treatment facilities located at Nim Wan, Tuen Mun. The Group is responsible for the provision of crew members for daily operation and the repair and maintenance services.

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating are reportable segments:

Year ended 31 March 2016

	Vessel chartering and related services	Ship management services	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External revenue	137,067	11,306	148,373
Segment profit	26,772	5,494	32,266
Other income			287
Administrative expenses			(13,970)
Finance costs			(68)
Profit before taxation			18,515

Year ended 31 March 2017

	Vessel chartering and related services	Ship management services	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External revenue	162,644	27,748	190,392
Segment profit	35,641	14,853	50,494
Share of result of an associate			519
Other income			887
Other gains and losses			5
Administrative expenses			(18,268)
Finance costs			(121)
Profit before taxation			33,516

Year ended 31 March 2018

	Vessel chartering and related services	Ship management services	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External revenue	187,792	25,256	213,048
Segment profit	49,589	11,389	60,978
Share of results of associates			1,563
Other income			1,337
Other gains and losses			3,920
Administrative expenses			(19,813)
Finance costs			(50)
Listing expenses			(3,886)
Profit before taxation			44,049

For the six months ended 30 September 2017 (unaudited)

	Vessel chartering and related services	Ship management services	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External revenue	100,040	12,377	112,417
Segment profit	27,633	5,476	33,109
Share of result of an associate			842
Other income			979
Administrative expenses			(8,926)
Finance costs			(27)
Profit before taxation			25,977

For the six months ended 30 September 2018

	Vessel chartering and related services	Ship management services	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External revenue	78,759	12,781	91,540
Segment profit	24,483	6,280	30,763
Share of results of associates			415
Other income			769
Administrative expenses			(10,980)
Finance costs			(7)
Listing expenses			(8,244)
Profit before taxation			12,716

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit before taxation earned by each segment without allocation of share of results of associates, other income, other gains and losses, administrative expenses, finance costs and listing expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Except as disclosed above, no other amounts are regularly provided to the CODM of the Group and therefore, no further analysis is presented.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resource allocation and performance assessment.

Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Vessel chartering and related services	137,067	162,644	187,792	100,040	78,759
Ship management services	11,306	27,748	25,256	12,377	12,781
	148,373	190,392	213,048	112,417	91,540

All the revenue of the Group are recognised over time.

Geographical information

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

Information about major customers

Revenue from customers during the Track Record Period individually contributing over 10% of the Group's revenue is as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Customer A[1]	64,115	77,670	59,478	32,374	N/A[3]
Customer B[1]	21,930	22,360	N/A[3]	N/A[3]	N/A[3]
Customer C[2]	N/A[3]	27,748	25,086	12,377	12,781
Customer D[1]	N/A[3]	N/A[3]	29,945	13,761	11,608
Customer E[1]	15,480	N/A[3]	N/A[3]	N/A[3]	24,038

1 Revenue from vessel chartering and related services segment

2 Revenue from ship management services segment

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group

7. OTHER INCOME/OTHER GAINS AND LOSSES

Other income

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest income from banks	—	4	85	18	36
Insurance claim	—	129	266	261	—
Management fee income	69	396	602	393	399
Others	218	358	384	307	334
	287	887	1,337	979	769

Other gains and losses

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Exchange gain	—	5	—	—	—
Gain on sale of a modified vessel *(Note)*	—	—	3,912	—	—
Gain on disposal of property, plant and equipment	—	—	8	—	—
	—	5	3,920	—	—

Note: The Group entered into a contract with an independent third party customer in respect of the sale of a jack-up barge at a consideration of approximately HK$6 million. Pursuant to which, the Group sourced a used jack-up barge and performed modification specified by the independent third party customer. The transaction was completed and a net gain on sale of a modified vessel of HK$3,912,000 was recorded in other gains and losses during the year ended 31 March 2018.

8. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on bank borrowings	68	121	50	27	7

9. INCOME TAX EXPENSES

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Hong Kong Profits Tax					
- current year/period	2,647	5,129	7,722	4,138	3,412
- underprovision in prior years/period	—	—	197	197	—
Deferred tax (Note 21):					
Current year/period	794	335	(39)	15	(46)
	3,441	5,464	7,880	4,350	3,366

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the six months ended 30 September 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million in a qualifying group entity and the profits of remaining group entities continues to be taxed at a flat rate of 16.5%.

The income tax expenses for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	18,515	33,516	44,049	25,977	12,716
Tax at Hong Kong Profits Tax rate of 16.5%	3,055	5,530	7,268	4,286	2,098
Tax effect of share of results of associates	—	(86)	(258)	(139)	(68)
Tax effect of income not taxable for tax purposes	—	—	(15)	(3)	(14)
Tax effect of expenses not deductible for tax purposes	2	20	748	9	1,515
Tax effect of tax loss not recognised	1	—	—	—	—
Underprovision in prior years/period	—	—	197	197	—
One-off tax reduction of Profits Tax by the Inland Revenue Department	—	—	(60)	—	—
Tax effect of two-tiered Profits Tax rate regime	—	—	—	—	(165)
Others	383	—	—	—	—
Income tax expenses	3,441	5,464	7,880	4,350	3,366

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit and total comprehensive income for the year/period has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration					
- Salaries and other allowances	23,868	39,289	38,939	19,594	17,328
- Retirement benefit scheme contributions	803	1,337	1,349	634	578
Total staff costs	24,671	40,626	40,288	20,228	17,906
Depreciation of property, plant and equipment	1,693	2,017	2,260	1,154	1,144
Minimum operating lease rentals in respect of rented premises	713	1,451	1,469	820	978
Auditor's remuneration	53	73	73	37	37

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and the chief executive

Details of the emoluments paid or payable by the entities comprising the Group to the directors of the Company and the chief executive of the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2016					
Executive directors:					
Mr. Wen	720	535	66	13	1,334
Ms. Chan	720	415	—	7	1,142
	1,440	950	66	20	2,476

	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2017					
Executive directors:					
Mr. Wen	1,200	535	66	13	1,814
Ms. Chan	720	415	—	7	1,142
	1,920	950	66	20	2,956

	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2018					
Executive directors:					
Mr. Wen	1,110	735	—	16	1,861
Ms. Chan	750	405	—	8	1,163
	1,860	1,140	—	24	3,024

	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 September 2017 (unaudited)					
Executive directors:					
Mr. Wen	540	391	—	7	938
Ms. Chan	360	211	—	4	575
	900	602	—	11	1,513

	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For six months ended 30 September 2018					
Executive directors:					
Mr. Wen	630	391	—	9	1,030
Ms. Chan	450	211	—	4	665
Independent non-executive directors:					
Mr. Liu Hon Por Francis (Note)	—	—	—	—	—
Mr. Wu Tai Cheung (Note)	—	—	—	—	—
Mr. Fu Bradley (Note)	—	—	—	—	—
	1,080	602	—	13	1,695

Note: Mr. Liu Hon Por Francis, Mr Wu Tai Cheung and Mr. Fu Bradley were appointed as independent non-executive directors of the Company on 20 September 2018.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group during the Track Record Period. Mr. Wen, is also the chief executive of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive.

Discretionary bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

There was no arrangement under which a director of the Company or the chief executive of the Group waived or agreed to waive any remuneration during the Track Record Period.

(b) Employees

The five highest paid individuals of the Group included 2 directors of the Company during each of the year ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 (unaudited) and 2018, whose emoluments are included in the disclosure above. The emoluments of the remaining 3 individuals for each of the year ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 (unaudited) and 2018, are as follows:

	Year ended 31 March			**Six months ended 30 September**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and other allowances	1,262	2,163	1,917	930	961
Performance related incentive payments	86	215	240	—	—
Retirement benefits scheme contributions	33	34	54	27	27
	1,381	2,412	2,211	957	988

The emoluments of these employees were within the following bands:

	Number of employees				
	Year ended 31 March			**Six months ended 30 September**	
	2016	**2017**	**2018**	**2017**	**2018**
				(unaudited)	
Nil to HK$1,000,000	3	3	3	3	3

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the chief executive of the Group or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, certain Entities had declared dividends to their then equity owners as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(unaudited)	
KMY Marine	1,500	—	500	—	—
MKK Marine	—	—	7,500	—	—
Yun Lee Tug Boat	1,000	6,500	2,000	—	—
Universal Marine	2,700	—	—	—	—
Yun Lee Marine	3,000	12,000	12,100	—	—
	8,200	18,500	22,100	—	—

The rate of dividend and number of shares ranking for above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the year/period and the number of ordinary shares outstanding during the Track Record Period on the assumption that the Reorganisation and the Capitalisation Issue (as defined in the Prospectus) of 812,480,000 shares as detailed in section headed "Share Capital" in the Prospectus, had been effective on 1 April 2015.

	Year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
				(unaudited)	
Earnings:					
Profit for the year/period attributable to owners of the Company for purpose of basic earnings per share *(HK\$'000)*	10,644	22,162	32,398	19,322	9,350
Number of shares:					
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousand)*	812,500	812,500	812,500	812,500	812,500

No diluted earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

14. PROPERTY, PLANT AND EQUIPMENT

	Vessels	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2015	27,242	879	—	588	1,809	30,518
Additions	1,137	—	—	111	752	2,000
At 31 March 2016	28,379	879	—	699	2,561	32,518
Additions	5,973	316	772	85	—	7,146
At 31 March 2017	34,352	1,195	772	784	2,561	39,664
Additions	—	—	—	127	387	514
Disposals	—	—	—	—	(625)	(625)
At 31 March 2018	34,352	1,195	772	911	2,323	39,553
Additions	—	24	—	36	—	60
At 30 September 2018	34,352	1,219	772	947	2,323	39,613
DEPRECIATION						
At 1 April 2015	6,838	611	—	422	1,485	9,356
Provided for the year	1,320	60	—	58	255	1,693
At 31 March 2016	8,158	671	—	480	1,740	11,049
Provided for the year	1,511	117	38	78	273	2,017
At 31 March 2017	9,669	788	38	558	2,013	13,066
Provided for the year	1,668	123	154	92	223	2,260
Eliminated on disposals	—	—	—	—	(625)	(625)
At 31 March 2018	11,337	911	192	650	1,611	14,701
Provided for the period	833	63	77	54	117	1,144
At 30 September 2018	12,170	974	269	704	1,728	15,845
CARRYING VALUES						
At 31 March 2016	20,221	208	—	219	821	21,469
At 31 March 2017	24,683	407	734	226	548	26,598
At 31 March 2018	23,015	284	580	261	712	24,852
At 30 September 2018	22,182	245	503	243	595	23,768

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

Vessels	5%
Leasehold improvements	Over the shorter of the term of lease, or 20%
Machinery and equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

15. INTERESTS IN ASSOCIATES

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investments:				
Cost of investments	—	2	1,727	1,727
Share of post-acquisition profits	—	519	2,082	2,497
Group's share of net assets of associates	—	521	3,809	4,224

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Group had interests in the following associates:

Name of entity	Place of establishment/ operation	Proportion of ownership interest and voting rights held by the Group: At 31 March 2016	At 31 March 2017	At 31 March 2018	At 30 September 2018	Principal activities
Scenic Shipping	Hong Kong	—	20.0%	20.0%	20.0%	Inactive (Note)
Eastlink Marine	Hong Kong	—	—	40.0%	40.0%	Provision of vessel chartering and related services

Note: Scenic Shipping ceased its provision of shipping services during the six months ended 30 September 2018.

During the year ended 31 March 2018, the Group acquired 40% equity interest in Eastlink Marine from Mr. Wen in consideration of Yun Lee (BVI) allotting and issuing its own 123 shares with par value of US$1 each to Kitling (BVI).

Summarised financial information of the associates

Summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents the financial information of the associates prepared in accordance with the significant accounting policies of the Group.

The associates are accounted for using the equity method in the Historical Financial Information.

Scenic Shipping

	At 31 March 2017	**At 31 March 2018**	**At 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	2,182	2,223	12,515
Non-current assets	29,590	27,785	—
Current liabilities	(28,657)	(17,303)	(82)
Non-current liabilities	(512)	(2,095)	—

	Year ended 31 March 2017	**Year ended 31 March 2018**	**Six months ended 30 September 2017**	**Six months ended 30 September 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Revenue	4,342	12,060	6,000	2,000
Profit for the year/period	2,593	8,007	4,209	1,823

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Historical Financial Information:

	At 31 March 2017	At 31 March 2018	At 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*
Net assets of Scenic Shipping	2,603	10,610	12,433
Proportion of the Group's ownership interest in Scenic Shipping	20.0%	20.0%	20.0%
Carrying amount of the Group's interest in Scenic Shipping	521	2,122	2,487

Eastlink Marine

	At 31 March 2018	At 30 September 2018
	HK$'000	*HK$'000*
Current assets	2,141	1,662
Non-current assets	358	318
Current liabilities	(1,034)	(391)

	From 27 December 2017 to 31 March 2018	From 1 April 2018 to 30 September 2018
	HK$'000	*HK$'000*
Revenue	652	1,933
(Loss) profit for the period	(96)	124

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Historical Financial Information:

	At 31 March 2018	At 30 September 2018
	HK$'000	*HK$'000*
Net assets of Eastlink Marine	4,218	4,342
Proportion of the Group's ownership interest in		
- Eastlink Marine	40.0%	40.0%
Carrying amount of the Group's interest in		
- Eastlink Marine	1,687	1,737

16. TRADE AND OTHER RECEIVABLES

	The Group				The Company	
	At 31 March			At 30 September	At 31 March	At 30 September
	2016	2017	2018	2018	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	36,389	49,281	39,453	41,519	—	—
Other receivables						
- Prepayments to suppliers	1,481	1,931	1,207	2,714	—	—
- Rental deposits	126	113	296	296	—	—
- Deferred issue costs	—	—	1,124	3,522	1,124	3,522
- Others	292	—	—	245	—	—
Total trade and other receivables	38,288	51,325	42,080	48,296	1,124	3,522

At 30 September 2018 and 1 April 2018, trade receivables from contracts with customers amounted to HK$39,453,000 and HK$41,519,000, respectively.

The Group allows a credit period of 30 to 60 days to its trade customers.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the Group's trade receivables that are neither past due nor impaired have no history of defaulting on repayment.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	At 31 March			At 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	18,122	19,276	15,540	14,959
31 to 60 days	12,038	16,271	15,424	17,528
61 to 90 days	5,164	11,112	5,614	6,640
91 to 120 days	896	2,517	1,187	1,844
Over 120 days	169	105	1,688	548
	36,389	49,281	39,453	41,519

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$14,704,000, HK$26,101,000 and HK$20,382,000 as at 31 March 2016, 2017 and 2018, respectively, which are past due as at the reporting date for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	At 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
31 to 60 days	8,475	12,367	11,893
61 to 90 days	5,164	11,112	5,614
91 to 120 days	896	2,517	1,187
Over 120 days	169	105	1,688
Total	14,704	26,101	20,382

Upon adoption of HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for expected credit losses for trade receivables. Trade receivables are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's trade receivables for impairment, no additional credit loss allowance was recognised upon the application of HKFRS 9 as the amount was considered as insignificant.

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and continuous business with the Group. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

17. AMOUNT(S) DUE FROM (TO) DIRECTORS/FELLOW SUBSIDIARIES/SUBSIDIARIES/ASSOCIATES/RELATED PARTIES

Amounts due from directors

								Maximum amount outstanding during the six months ended 30 September
					Maximum amount outstanding during the year ended 31 March			
		At 31 March		At 30 September				
Name of directors	**2016**	**2017**	**2018**	**2018**	**2016**	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wen	7,080	269	—	—	9,256	14,323	10,364	—
Ms. Chan	108	—	—	—	111	3,348	—	—
	7,188	269	—	—				

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

Amounts due to directors

		At 31 March		At 30 September
Name of directors	**2016**	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wen	1,494	5,216	—	—
Ms. Chan	—	3,393	—	—
	1,494	8,609	—	—

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

Amounts due from (to) associates/fellow subsidiaries/subsidiaries

Except for an amount of HK$388,000 and HK$289,000 due to Eastlink Marine as at 31 March 2018 and 30 September 2018, respectively, which are trade nature, unsecured, non-interest bearing and repayable according to the credit term, the remaining balances are non-trade nature, unsecured, non-interest bearing and repayable on demand.

Amounts due to related parties

	At 31 March			At 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chow Wai Ming (Note a)	1,494	1,230	—	—
Mr. Cheung Tai Kee (Note a)	1,992	1,640	—	—
Eastlink Marine (Note b)	780	769	—	—
	4,266	3,639	—	—

Except for an amount of HK$780,000 and HK$769,000 due to Eastlink Marine as at 31 March 2016 and 2017, respectively, which are trade nature, unsecured, non-interest bearing and repayable according to the credit term, the remaining balances are non-trade nature, unsecured, non-interest bearing and repayable on demand.

Notes:

(a) Mr. Chow Wai Ming and Mr. Cheung Tai Kee are the key management personnel of the Group.

(b) Mr. Wen, one of the Controlling Shareholders of the Company, has significant influence in this entity.

18. RESTRICTED BANK DEPOSITS/TIME DEPOSITS/BANK BALANCES AND CASH

Bank balances and restricted bank deposits carried interest at prevailing market banking deposit rates which ranges from 0.01% to 0.90%, 0.01% to 0.90%, 0.01% to 0.90% and 0.01% to 0.90% per annum as at 31 March 2016, 2017 and 2018 and 30 September 2018, respectively.

Time deposits as at 31 March 2018 carried interest at fixed-rate of 3.68% per annum.

19. TRADE AND OTHER PAYABLES

	The Group				The Company	
	At 31 March			At 30 September	At 31 March	At 30 September
	2016	2017	2018	2018	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	22,044	21,436	16,800	11,331	—	—
Accrued expenses	3,833	3,534	4,781	5,499	1,100	2,266
Deposits and receipt in advance	200	3,200	302	320	—	—
Other payables (Note)	9	2,581	12,555	12,500	—	—
Total trade and other payables	26,086	30,751	34,438	29,650	1,100	2,266

The credit period of trade payables is from 30 to 60 days from the invoice date.

Note: As at 31 March 2018, included in the Group's other payables is an amount of HK$12,500,000 advanced from Kitling (BVI) and assigned to Novel Choice Ventures Limited ("Novel Choice"), a Pre-IPO investor who is an independent third party. During the year ended 31 March 2018, Kitling (BVI) entered into a Pre-IPO investment subscription agreement with Novel Choice pursuant to which Kitling (BVI) issued an exchangeable note to Novel Choice at a consideration of HK$12,500,000. Upon the receipt of such consideration, Kitling (BVI) transferred such consideration to the Group as an advance to the Group and assigned such advance to Novel Choice. The assignment will be fully discharged when this advance has been unconditionally and irrevocably paid in full or when the exchangeable note has been fully converted, whichever is earlier. The amount is unsecured, interest-free, and repayable on demand.

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

	At 31 March			At 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	12,394	8,465	7,940	5,056
31 to 60 days	5,928	7,693	6,068	4,976
61 to 90 days	3,152	3,538	2,281	425
91 to 120 days	570	40	511	442
Over 120 days	—	1,700	—	432
	22,044	21,436	16,800	11,331

20. BANK BORROWINGS

	At 31 March			At 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Variable rate borrowings:				
Secured bank borrowings	2,602	6,901	608	—
Bank overdrafts	2,719	—	—	—
	5,321	6,901	608	—
The carrying amounts of the above borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:				
- within one year	980	6,293	608	—
- more than one year, but not more than two years	1,014	608	—	—
- more than two years, but not more than five years	608	—	—	—
	2,602	6,901	608	—
Bank overdrafts	2,719	—	—	—
	5,321	6,901	608	—
Less: amounts due within one year shown under current liabilities	(5,321)	(6,901)	(608)	—
Amounts shown under non-current liabilities	—	—	—	—

Variable-rate bank borrowings bear interest with reference to Hong Kong Inter-bank Offered Rate and Hong Kong Dollar Prime Rate of the relevant banks.

The effective interest rate on the Group's borrowings as at 31 March 2016 and 2017 were ranging from 3.45% to 3.50% and 2.50% to 3.45% per annum, respectively. The effective interest rate of the Group's borrowings as at 31 March 2018 was 3.45% per annum. The Group's bank borrowings were guaranteed by the related parties of the Group and secured by properties of the Controlling Shareholders of the Company as detailed in Note 24.

21. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the Track Record Period are as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	2,474	—	2,474
Charge for the year (Note 9)	794	—	794
At 31 March 2016	3,268	—	3,268
Charge (credit) for the year (Note 9)	526	(191)	335
At 31 March 2017	3,794	(191)	3,603
(Credit) charge for the year (Note 9)	(168)	129	(39)
At 31 March 2018	3,626	(62)	3,564
(Credit) charge for the period (Note 9)	(108)	62	(46)
At 30 September 2018	3,518	—	3,518

At 31 March 2016, 2017 and 2018 and 30 September 2018, the Group has unused tax losses of HK$5,600, HK$1,155,000, HK$377,000 and nil, respectively, available for offset against future profits. No deferred tax assets had been recognised in respect of the tax losses of HK$5,600 as at 31 March 2016 and tax losses of HK$1,155,000 and HK$377,000 has been recognised as at 31 March 2017 and 2018, respectively. These losses may be carried forward indefinitely.

22. SHARE CAPITAL

The Group

For the purpose of presentation of the consolidated statements of financial position, the balance of share capital of the Group as at 1 April 2015, 31 March 2016 and 31 March 2017 represented the aggregate share capital of the Entities comprising the Group attributable to the Controlling Shareholders prior to the completion of the Reorganisation.

During the year ended 31 March 2016, MKK Marine issued and allotted 1,000 and 9,000 new shares with a consideration of HK$1,000 and HK$9,000 to Mr. Wen and remaining non-controlling shareholders respectively.

The balance of share capital of the Group as at 31 March 2018 represented the share capital of Yun Lee (BVI) and the Company.

The balance of share capital of the Group as at 30 September 2018 represented the share capital of the Company.

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2018 with an authorised share capital of HK$50,000 divided into 5,000,000 ordinary shares of par value of HK$0.01 each, of which 1 fully paid ordinary share was transferred to Kitling (BVI) from the initial subscriber at par value on 19 March 2018.

Below are tables showing the movements of the share capital of the Company since its incorporation and up to 30 September 2018:

Share capital

	Number of shares	Amount	Shown in the Historical financial information as
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised			
At date of incorporation and 31 March 2018	5,000,000	50,000	
Increase in authorised share capital (note i)	4,995,000,000	49,950,000	
At 30 September 2018	5,000,000,000	50,000,000	N/A
Issued and fully paid			
At date of incorporation	1	0.01	—*
Issue of shares (note ii)	9,999	99.99	—*
At 31 March 2018	10,000	100	—*
Issue of shares (note iii)	10,000	100	—*
At 30 September 2018	20,000	200	—*

* Less than HK$1,000

Notes:

(i) On 20 September 2018, the Company passed a written resolution pursuant to which authorised share capital of the Company was increased from HK$50,000 divided into 5,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by creation of an additional 4,995,000,000 shares.

(ii) On 19 March 2018, 9,066, 533 and 400 shares at the total consideration of HK$90.66, HK$5.33 and HK$4.0 were issued and allotted to Kitling (BVI), Mr. Cheung Tai Kee and Mr. Chow Wai Ming, respectively.

(iii) On 14 September 2018, in consideration of the transfer of the entire issued share capital of Yun Lee (BVI) from Kitling (BVI), Mr. Cheung Tai Kee and Mr. Chow Wai Ming to the Company, the Company allotted and issued 9,067 Shares to Kitling (BVI), 533 Shares to Mr. Cheung Tai Kee and 400 Shares to Mr. Chow Wai Ming, respectively.

23. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March			At 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,188	775	1,429	1,312
In the second to fifth years inclusive	1,093	618	563	382
	2,281	1,393	1,992	1,694

Operating lease payments represent rentals payable by the Group for its office property. These leases are negotiated for an average term of one to three years with fixed monthly rental. None of the leases include any contingent rental.

24. RELATED PARTY DISCLOSURES

In addition to the transactions, balances and commitments disclosed elsewhere in the Historical Financial Information, the Group had entered into the following related party transactions:

Name of related companies	Relationship	Nature of transactions	Year ended 31 March			Six months ended 30 September	
			2016	2017	2018	2017	2018
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Kee Marine Service & Consultant Limited	Entity over which one of the key management personnel of the Group has control	Management fee income	—	315	360	180	180
Eastlink Marine	Entity over which Mr. Wen has significant influence and has become an associate of the Group on 27 December 2017	Management fee income	69	81	242	213	219
		Vessel chartering costs	3,967	2,911	3,563	1,885	1,933
Metro Key Investment Limited	Entity over which Mr. Wen has control	Rental expense of a staff lounge	120	120	123	60	67

Provision of guarantees and security provided by related parties of the Group

Certain related parties of the Group have provided guarantees to banks to support facilities granted by those banks to the Group as follows:

	At 31 March			At 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wen (Note a)	2,692	4,815	—	—
Ms. Chan (Note a)	2,692	4,815	—	—
Mr. Wen and Ms. Chan (Note a)	16,000	16,000	16,000	13,000
Mr. Wen (Note a), Mr. Chow Wai Ming and Mr. Cheung Tai Kee (Note b)	—	10,000	5,000	5,000
	21,384	35,630	21,000	18,000

Notes:

(a) Mr. Wen and Ms. Chan are the Controlling Shareholders.

(b) Mr. Chow Wai Ming and Mr. Cheung Tai Kee are the key management personnel of the Group, non-controlling shareholders of certain subsidiaries during the Track Record Period and shareholders of the Company upon completion of the Reorganisation.

In addition, as at 31 March 2016, 2017, 2018 and 30 September 2018, Mr. Wen and Ms. Chan pledged their properties to a bank to secure banking facilities of HK$13,000,000 granted to the Group.

Compensation of key management personnel

Key management includes directors and senior management. The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period was as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Salaries and other allowances	2,788	4,336	4,237	2,103	2,283
Performance related incentive payments	116	191	150	—	—
Retirement benefit scheme contributions	36	36	41	19	21
	2,940	4,563	4,428	2,122	2,304

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in Note 20, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost and the risks associate with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company	
		At 31 March		At 30 September	At 31 March	At 30 September
	2016	2017	2018	2018	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Loans and receivables (including cash and cash equivalents)	60,838	81,217	82,640	—	—	—
Financial assets at amortised cost	—	—	—	87,853	—	98
Financial liabilities						
Amortised cost	33,134	43,166	30,351	26,177	3,910	14,542

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount(s) due from (to) directors/associates/related parties, restricted bank deposits, time deposits, bank balances and cash, trade and other payables and bank borrowings. The Company's major financial instruments include bank balances and cash and amounts due to fellow subsidiaries/subsidiaries. Details of these financial instruments are disclosed in respective notes of Historical Financial Information. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and restricted bank deposits (see Note 18 for details) and variable-rate bank borrowings (see Note 20 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, Hong Kong Inter-bank Offered Rate and Hong Kong Dollar Prime Rate arising from the Group's Hong Kong dollar denominated borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Company is not exposed to significant interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year/period. 50 basis point increase or decrease represent the management's assessment of the reasonable possible change in interest rates of bank deposits and bank borrowings.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for each of the year ended 31 March 2016, 2017, 2018 and six months ended 30 September 2018 would increase/decrease by HK$50,000, HK$80,000, HK$159,000 and HK$97,000, respectively.

(ii) Foreign currency risk

The Group and the Company have no significant foreign currency risk as all of the operations of the group entities and the Company are denominated in HK$ which is also the functional currency of the relevant group entities and the Company.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statements of financial position of the Group.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2016, 2017, 2018 and 30 September 2018, the Group has concentration of credit risk as 36%, 37%, 19% and 22% respectively of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 89%, 79%, 68% and 55% respectively. The management of the Group considers that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record and credit quality.

The management of the Group considers that the credit risk on amount(s) due from directors/an associate is limited because they can closely monitor the repayment of the related parties.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and amount(s) due from directors/an associate, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Upon adoption of HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Management assessed the expected loss on trade receivables individually by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In addition, the directors of the 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/on-going relationship and good repayment record from these customers. Accordingly, no loss allowance on ECL is recognised during the six months ended 30 September 2018 as the amount is considered as insignificant.

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant.

The management of the Group considers the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

The Company is not exposed to significant credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and borrowing facilities and continuously monitoring forecast and actual cash flows.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Liquidity tables

The Group

	Weighted average effective interest rate	On demand or less than 1 month and total undiscounted cash flows	1 month to 3 months	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2016					
Non-derivative financial liabilities					
Trade and other payables	—	19,810	2,243	22,053	22,053
Amounts due to directors	—	1,494	—	1,494	1,494
Amounts due to related parties	—	4,266	—	4,266	4,266
Bank borrowings	3.48	5,321	—	5,321	5,321
		30,891	2,243	33,134	33,134

	Weighted average effective interest rate	On demand or less than 1 month and total undiscounted cash flows	1 month to 3 months	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2017					
Non-derivative financial liabilities					
Trade and other payables	—	21,191	2,826	24,017	24,017
Amounts due to directors	—	8,609	—	8,609	8,609
Amounts due to related parties	—	3,639	—	3,639	3,639
Bank borrowings	3.00	6,901	—	6,901	6,901
		40,340	2,826	43,166	43,166
At 31 March 2018					
Non-derivative financial liabilities					
Trade and other payables	—	25,774	3,581	29,355	29,355
Amount due to an associate	—	388	—	388	388
Bank borrowings	3.45	608	—	608	608
		26,770	3,581	30,351	30,351
At 30 September 2018					
Non-derivative financial liabilities					
Trade and other payables	—	21,590	2,241	—	23,831
Amounts due to associates	—	2,346	—	—	2,346
		23,936	2,241	—	26,177

The Company

	Weighted average effective interest rate	On demand or less than 1 month and total undiscounted cash flows	1 month to 3 months	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018					
Non-derivative financial liability					
Amounts due to fellow subsidiaries	—	3,910	—	3,910	3,910
At 30 September 2018					
Non-derivative financial liability					
Amounts due to subsidiaries	—	14,542	—	14,542	14,542

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2016, 2017 and 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$2,602,000, HK$6,901,000 and HK$608,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis - Bank borrowings with a repayment on demand clause based on scheduled repayments				
	Less than 1 year	**1 - 2 years**	**2 - 5 years**	**Total undiscounted cash outflows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2016	1,054	1,054	615	2,723	2,602
31 March 2017	6,335	615	—	6,950	6,901
31 March 2018	615	—	—	615	608

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below details changes in the 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 Group's consolidated statements of cash flows as cash from or used in financing activities:

	Bank borrowings	Amounts due to directors	Amounts due to related parties	Amounts due to associates (non-trade nature)	Amount due to a controlling shareholder	Amount due to Novel Choice	Dividend payable	Accrued issue costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
At 1 April 2015	1,782	3,527	—	—	—	—	—	—	5,309
Financing cash flows	820	(2,033)	3,486	—	—	—	(4,500)	—	(2,227)
Non-cash changes									
Dividends declared	—	—	—	—	—	—	8,200	—	8,200
Set off with amounts due from directors	—	—	—	—	—	—	(3,700)	—	(3,700)
At 31 March 2016	2,602	1,494	3,486	—	—	—	—	—	7,582
Financing cash flows	4,299	7,115	(616)	—	—	—	—	—	10,798
Non-cash changes									
Dividends declared	—	—	—	—	—	—	18,500	—	18,500
Set off with amounts due from directors	—	—	—	—	—	—	(18,500)	—	(18,500)
At 31 March 2017	6,901	8,609	2,870	—	—	—	—	—	18,380
Financing cash flows	(6,293)	(10,614)	(2,870)	—	12,500	—	(10,000)	(849)	(18,126)
Non-cash changes									
Dividends declared	—	—	—	—	—	—	22,100	—	22,100
Set off with amounts due from/to directors	—	2,005	—	—	—	—	(12,100)	—	(10,095)
Assignment of advances from a controlling shareholder	—	—	—	—	(12,500)	12,500	—	—	—
Accrual of issue costs	—	—	—	—	—	—	—	1,124	1,124
At 31 March 2018	608	—	—	—	—	12,500	—	275	13,383
Financing cash flows	(608)	—	—	2,057	—	—	—	(2,106)	(657)
Non-cash changes									
Accrual of issue costs	—	—	—	—	—	—	—	2,398	2,398
At 30 September 2018	—	—	—	2,057	—	12,500	—	567	15,124
At 1 April 2017	6,901	8,609	2,870	—	—	—	—	—	18,380
Financing cash flows (Unaudited)	(5,782)	(835)	—	—	—	—	—	—	(6,617)
At 30 September 2017 (Unaudited)	1,119	7,774	2,870	—	—	—	—	—	11,763

Note: Dividend payable and amount due to Novel Choice are included in other payables.

28. FINANCIAL INFORMATION OF THE COMPANY

(a) Interest in a subsidiary of the Company

	As at 30 September 2018
	HK$'000
Investment in Yun Lee (BVI), at cost	63,504

(b) The followings are the movements of the Company's reserves from 21 February 2018 (date of incorporation) to 30 September 2018.

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 21 February 2018 (date of incorporation)	—	—	—
Loss and other comprehensive expense for the period	—	(3,886)	(3,886)
At 31 March 2018	—	(3,886)	(3,886)
Effect of reorganisation	63,504	—	63,504
Loss and other comprehensive expense for the period	—	(9,302)	(9,302)
At 30 September 2018	63,504	(13,188)	50,316

29. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries of the Company as at the date of this report are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital	Equity interest attributable to the Group					Principal activities
			At 31 March			At 30 September	Date of this report	
			2016	2017	2018	2018		
Yun Lee (BVI)	BVI 16 November 2017	US$10,000	N/A	N/A	100%	100%	100%	Investment holding
KMY Marine (Note a)	Hong Kong 25 September 2007	HK$13,500	33.33%	33.33%	100%	100%	100%	Provision of vessel chartering services
MKK Marine (Note b)	Hong Kong 22 August 2014	HK$20,000	30%	30%	100%	100%	100%	Provision of ship management services
Yun Lee Tug Boat (Note c)	Hong Kong 15 November 1994	HK$120,000	55%	55%	100%	100%	100%	Provision of vessel chartering and related services
Universal Marine	Hong Kong 6 December 2002	HK$10,000	100%	100%	100%	100%	100%	Investment holding
Yun Lee Marine	Hong Kong 30 January 2009	HK$10,000	100%	100%	100%	100%	100%	Provision of vessel chartering and related services

Notes:

(a) Pursuant to a shareholders' agreement entered into on 5 December 2012 among Mr. Wen, Mr. Ng Wing Yiu and Mr. Chow Wai Ming, Mr. Wen has sufficiently dominant voting interest to direct the relevant activities of KMY Marine as Mr. Wen has the right to appoint and remove any directors from time to time and he is entitled to a casting vote in all decisions of the board of directors of KMY Marine. In addition, Mr. Ng Wing Yiu and Mr. Chow Wai Ming vested all the management rights and decision-making powers in respect of KMY Marine in Mr. Wen. The directors of the Company concluded that the Group has a control over KMY Marine since the shareholders' agreement dated on 5 December 2012 to 27 December 2017.

On 5 December 2017, 66.67% of the issued share capital of KMY Marine was acquired by Mr. Wen. Since then, KMY Marine is considered as with 100% attributable to the Group.

(b) At date of incorporation, 22 August 2014, the initial subscribers of MKK Marine were Mr. Wen and Mr. Cheung Tai Kee, holding 50% and 50% equity interest respectively. Pursuant to a shareholders' agreement entered into on the same day between Mr. Wen and Mr. Cheung Tai Kee, Mr. Wen has sufficiently dominant voting interest to direct the relevant activities of MKK Marine as Mr. Wen has the right to appoint and remove any directors from time to time and he is entitled to a casting vote in all decisions of the board of directors of MKK Marine. In addition, Mr. Cheung Tai Kee vested all the management rights and decision-making powers in respect of MKK Marine in Mr. Wen. The directors of the Company concluded that the Group has a control over MKK Marine. On 28 July 2015, MKK Marine issued and allotted 1,000, 3,000 and 6,000 new shares with a consideration of HK$1,000, HK$3,000 and HK$6,000 to Mr. Wen, Mr. Cheung Tai Kee and Mr. Chow Wai Ming, respectively. The equity interest held by Mr. Wen was reduced from 50% to 30%. MKK Marine is considered as a subsidiary of the Group although the Group holds 30% equity interests in MKK Marine. Pursuant to a revised shareholders' agreement entered into on 28 July 2015 among Mr. Wen, Mr. Cheung Tai Kee and Mr. Chow Wai Ming, Mr. Wen has sufficiently dominant voting interest to direct the relevant activities of MKK

Marine as Mr. Wen has the right to appoint and remove any directors from time to time and he is entitled to a casting vote in all decision of the board of directors of MKK Marine. In addition, Mr. Cheung Tai Kee and Mr. Chow Wai Ming vested all the management rights and decision-making powers in respect of MKK Marine in Mr. Wen. The directors of the Company concluded that the Group has a control over MKK Marine since the shareholders' agreement dated on 22 August 2014 to 27 December 2017.

On 27 December 2017, 70% of the issued share capital of MKK Marine was acquired by Yun Lee (BVI). Since then, MKK Marine is considered as with 100% attributable to the Group.

(c) On 9 October 2017, 45% of the issued share capital of Yun Lee Tug Boat was acquired by Mr. Wen. Since then, Yun Lee Tug Boat is considered as with 100% attributable to the Group.

Each of the Company and the Entities has adopted 31 March as their financial year end date.

No audited statutory financial statements have been prepared for the Company and Yun Lee (BVI) since their dates of incorporation as there is no statutory audit requirements in the Cayman Islands and BVI.

The statutory financial statements of KMY Marine, Yun Lee Tug Boat, Universal Marine and Yun Lee Marine for each of the two years ended 31 March 2016 and 2017 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard ("SME-FRS") issued by the HKICPA and were audited by Francis H. L. Sham & Co.

The statutory financial statements of KMY Marine, Universal Marine, Yun Lee Tug Boat and Yun Lee Marine for the year ended 31 March 2018 were prepared in accordance with SME-FRS issued by HKICPA and were audited by Wise Diligent CPA Company Limited.

The statutory financial statements of MKK Marine for each of the three years ended 31 March 2016, 2017 and 2018 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Wise Diligent CPA Company Limited.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests				Profit (loss) allocated to non-controlling interests					Accumulated non-controlling interests			
		31 March			30 September	Year ended 31 March			Six months ended 30 September		31 March			30 September
		2016	2017	2018	2018	2016	2017	2018	2017	2018	2016	2017	2018	2018
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
KMY Marine	Hong Kong	66.67%	66.67%	N/A	N/A	(6)	16	418	215	N/A	191	207	N/A	N/A
MKK Marine	Hong Kong	70%	70%	N/A	N/A	1,175	5,870	3,151	1,924	N/A	1,178	7,048	N/A	N/A
Yun Lee Tug Boat	Hong Kong	45%	45%	N/A	N/A	3,261	4	202	166	N/A	5,248	2,327	N/A	N/A
											6,617	9,582	N/A	N/A

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	At 31 March 2016	At 31 March 2017	At 31 March 2018 and 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*
KMY Marine			
Current assets	313	1,106	N/A
Non-current assets	—	1,910	N/A
Current liabilities	(28)	(2,661)	N/A
Non-current liabilities	—	(45)	N/A
Equity attributable to owners of the Company	94	103	N/A
Non-controlling interests	191	207	N/A

	Year ended 31 March 2016	Year ended 31 March 2017	From 1 April 2017 to 30 September 2017	From 1 April 2017 to 5 December 2017
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	—	1,225	1,278	1,963
Expenses	(9)	(1,200)	(957)	(1,336)
(Loss) profit and total comprehensive (expense) income for the year	(9)	25	321	627
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	(3)	9	106	209
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests	(6)	16	215	418
Dividends paid to non-controlling interests of KMY Marine	1,000	—	—	—
Net cash (outflow) inflow from operating activities	(3)	2,057	444	873
Net cash outflow from investing activities	—	(1,910)	—	—
Net cash outflow from financing activities	(1,500)	—	—	—
Net cash (outflow) inflow	(1,503)	147	444	873

	At 31 March 2016	At 31 March 2017	At 31 March 2018 and 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*
MKK Marine			
Current assets	11,088	15,822	N/A
Non-current assets	40	611	N/A
Current liabilities	(9,441)	(6,326)	N/A
Non-current liabilities	(4)	(39)	N/A
Equity attributable to owners of the Company	505	3,020	N/A
Non-controlling interests	1,178	7,048	N/A

	Year ended 31 March 2016	Year ended 31 March 2017	From 1 April 2017 to 30 September 2017	From 1 April 2017 to 27 December 2017
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	11,306	27,748	12,616	19,341
Expenses	(9,628)	(19,363)	(9,867)	(14,840)
Profit and total comprehensive income for the year	1,678	8,385	2,749	4,501
Profit and total comprehensive income attributable to owners of the Company	503	2,515	825	1,350
Profit and total comprehensive income attributable to non-controlling interests	1,175	5,870	1,924	3,151
Dividends paid to non-controlling interests of MKK Marine	—	—	2,305	5,250
Net cash (outflow) inflow from operating activities	(4,783)	8,278	3,918	9,210
Net cash outflow from investing activities	(30)	(5,571)	(85)	(90)
Net cash inflow (outflow) from financing activities	6,873	(2,743)	4	(3,939)
Net cash inflow (outflow)	2,060	(36)	3,837	5,181

	At 31 March 2016	At 31 March 2017	At 31 March 2018 and 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*
Yun Lee Tug Boat			
Current assets	9,476	3,462	N/A
Non-current assets	3,527	3,247	N/A
Current liabilities	(810)	(1,050)	N/A
Non-current liabilities	(531)	(487)	N/A
Equity attributable to owners of the Company	6,414	2,845	N/A
Non-controlling interests	5,248	2,327	N/A

	Year ended 31 March 2016	Year ended 31 March 2017	From 1 April 2017 to 30 September 2018	From 1 April 2017 to 9 October 2017
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	18,374	8,230	3,045	3,205
Expenses	(11,128)	(8,220)	(2,677)	(2,757)
Profit and total comprehensive income for the year	7,246	10	368	448
Profit and total comprehensive income attributable to owners of the Company	3,985	6	202	246
Profit and total comprehensive income attributable to non-controlling interests	3,261	4	166	202
Dividends paid to non-controlling interests of Yun Lee Tug Boat	450	2,925	—	—
Net cash inflow (outflow) from operating activities	612	(208)	183	183
Net cash inflow (outflow) from investing activities	936	57	(387)	(387)
Net cash (outflow) inflow from financing activities	(762)	259	(72)	(72)
Net cash inflow (outflow)	786	108	(276)	(276)

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2016, the dividend declared by Yun Lee Tug Boat and Universal Marine amounted to HK$1,000,000 and HK$2,700,000 respectively was used to set off the amounts due from directors.

During the year ended 31 March 2017, the dividend declared by Yun Lee Tug Boat and Yun Lee Marine amounted to HK$6,500,000 and HK$12,000,000 respectively was used to set off the amounts due from directors.

During the year ended 31 March 2018, Yun Lee (BVI) acquired 40% of the issued share capital of Eastlink Marine from Mr. Wen in consideration of Yun Lee (BVI) allotting and issuing its own 123 shares with par value of US$1 each to Kitling (BVI).

During the year ended 31 March 2018, among the dividend declared by Yun Lee Marine amounted to HK$12,100,000, HK$10,095,000 was used to set off the amounts due from directors and the balance of HK$2,005,000 was settled through amounts due to directors.

During the year ended 31 March 2018, a balance with amount of HK$12,500,000 due to a controlling shareholder was assigned to an independent third party and included in other payables.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2018.

The information set forth in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 March 2018 and six months ended 30 September 2018 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included in this prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 as if the Share Offer had taken place on that date.

This statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 30 September 2018 or at any future dates. The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 as shown in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$0.50 per Share	78,093	73,003	151,096	0.15
Based on an Offer Price of HK$0.60 per Share	78,093	89,878	167,971	0.17

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 is based on the audited consolidated net assets of the Group attributable to owners of the Company of HK$78,093,000 as at 30 September 2018 extracted from the Accountant's Report as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on 187,500,000 Shares at the Offer Price of HK$0.50 and HK$0.60 per Share, being the low-end and high-end of the indicated offer price range, after deduction of the estimated underwriting fees and related expenses expected to be incurred by the Group subsequent to 30 September 2018. It does not take into account any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share capital" in this prospectus, as the case may be.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It does not take into account any shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the paragraph headed "General mandate to issue shares" or "General mandate to repurchase shares" under the section headed "Share capital" in this prospectus, as the case may be.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2018.

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

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 prospectus.

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 adjusted consolidated net tangible assets as at 30 September 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 4 March 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's financial position as at 30 September 2018 as if the Share Offer had taken place at 30 September 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2018 and six months ended 30 September 2018, on which an accountant's report set out in Appendix I to the Prospectus 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 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 2018 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
4 March 2019

This appendix contains a summary of the Memorandum and Articles of Association of the Company. As the information set out below is in summary form, it does not contain all the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association ("**Memorandum**") and its Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 September 2018 with effect upon Listing. The following is a summary of certain provisions of the Articles.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and the Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and the Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(aa) at least two members;

(bb) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(cc) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands. Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(aa) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(bb) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy

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 seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise. Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 21 February 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share Capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 2 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 February 2018. The Company has established a principal place of business in Hong Kong at Flat D, 31/F., Billion Plaza II, 10 Cheung Yue Street, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 6 April 2018.

In compliance with the requirements of the Companies Ordinance, Mr. Wen has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution which comprises the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

2. Changes in the share capital of the Company

The following sets forth the changes in the share capital of the Company since the date of incorporation:

(a) As of the date of incorporation of the Company on 21 February 2018, the initial authorised share capital of the Company was HK$50,000 divided into 5,000,000 Shares of par value HK$0.01 each. On the same date, one Share was taken up by Ogier Global Subscriber (Cayman) Limited which was subsequently transferred to Kitling (BVI) on 19 March 2018.

(b) On 19 March 2018, 9,066, 533 and 400 fully-paid Shares at the total consideration of HK$90.66, HK$5.33 and HK$4.0 were issued and allotted to Kitling (BVI), Mr. Cheung and Mr. Chow, respectively.

(c) On 14 September 2018, in consideration of the transfer of the entire issued share capital of Yun Lee (BVI) (as to 10,000 shares) from Kitling (BVI), Mr. Cheung and Mr. Chow to the Company, the Company respectively allotted and issued 9,067 Shares to Kitling (BVI), 533 Shares to Mr. Cheung and 400 Shares to Mr. Chow, credited as fully paid.

(d) On 20 September 2018, pursuant to written resolutions passed by the shareholders of the Company, the authorised share capital of the Company was increased from HK$50,000 divided into 5,000,000 Shares to HK$50,000,000 divided into 5,000,000,000 Shares, by creation of an additional 4,995,000,000 Shares ranking pari passu in all respects with Shares in issue.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since incorporation.

3. Changes in the share capital of the subsidiaries

Further information on the subsidiaries of the Company is set forth in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus and in the section headed "History, Reorganisation and corporate structure" in this prospectus.

Save as mentioned in the section headed "History, Reorganisation and corporate structure" in this prospectus, there was no change in the share capital of the subsidiaries of the Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

4. Written resolutions passed by the Shareholders on 20 September 2018

Pursuant to the written resolutions of the Shareholders passed on 20 September 2018 (the "**Shareholders' Resolutions 2018**"), among others, the following resolutions were passed:

(a) the authorised share capital of the Company was increased from HK$50,000 divided into 5,000,000 Shares to HK$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,995,000,000 Shares;

(b) the amended and restated Memorandum and Articles of Association were approved and adopted by the Company with effect from the Listing Date;

(c) conditional upon fulfilment of the conditions as stated in the paragraph headed "Conditions of the Share Offer" in the section head "Structure and conditions of the Share Offer" in this prospectus:

(1) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(2) the rules of the Share Option Scheme, the principal terms of which are set forth in the sub-section headed "D. Share Option Scheme" in this section below were approved and adopted and the Directors or any committee thereof established by the Board were authorised, at their sole discretion, to (i) administer the Share Option Scheme; (ii) modify/amend the rules of the Share Option Scheme from time to time as such modification/amendments may be acceptable or not objected by, nor required to be approved by the Shareholders and/or the Stock Exchange under the applicable laws, rules and regulations; (iii) at the Directors' discretion, grant options to subscribe for the Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make

application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as may be necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(3) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK$7,499,800 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 749,980,000 Shares for allotment and issuance to Kitling (BVI) (634,981,866 Shares), Mr. Chow (27,999,200 Shares), Mr. Cheung (36,998,934 Shares) and Novel Choice (50,000,000 Shares as the exercise of the Exchangeable Note). The Shares to be allotted and issued pursuant to this resolutions shall rank pari passu in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;

(4) a general unconditional mandate is given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issuance of the Shares in lieu of the whole or part of any dividend in accordance with the Memorandum and the Articles of Association, or pursuant to the issue of the Shares upon the exercise of any subscription or conversion rights attached to any warrants or convertibles of the Company (if any), or pursuant to the exercise of options which may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer, the Shares with an aggregate number of Shares not exceeding (a) 20% of the number of Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and (b) the number of such Shares which may be repurchased by the Company itself pursuant to the authority granted to the Directors as referred to in paragraph (5) below;

For the purpose of above paragraph, “rights issue” means an offer of shares in the capital of the Company, or offer or issue of warrants, options or similar giving rights to subscribe for any shares in the capital of the Company open for a period fixed by the Directors to holders of shares in the Company on the Company’s register of members on a fixed record date in proportion to their then holdings of shares in the Company (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).

(5) a general unconditional mandate (the "**Buy-back Mandate**") was given to the Directors to exercise all powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer, but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme; and

(6) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in paragraph (4) above by the addition of such Shares repurchased by the Company pursuant to paragraph (5) above.

Each of the general mandates referred to in paragraphs (4), (5) and (6) above will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the Company is required by the Companies Law or any applicable Cayman Islands law or the Memorandum and the Articles of Association to hold the next annual general meeting; or

(iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

The Company approved the form and substance of each of the service contracts made between the executive Directors and the Company, and the form and substance of each of the letters of appointment made between each of the independent non-executive Directors with the Company.

5. Written resolutions passed by the Shareholders on 26 February 2019

Pursuant to the written resolutions of the Shareholders passed on 26 February 2019 (the "**Shareholders' Resolutions 2019**"), among others, the following resolutions were passed:

(a) save for paragraph (c)(3) of the Shareholders' Resolutions 2018 which shall be superseded by paragraphs (b) to (d) of the Shareholders' Resolutions 2019, other resolutions of the Shareholders' Resolutions 2018 remained valid and effective;

(b) conditional upon the Company's execution of the Public Offer Underwriting Agreement, the Directors be and are hereby authorised to:

(i) capitalise HK$7,624,800 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 762,480,000 Shares for allotment and issuance to Kitling (BVI) (691,340,616 Shares), Mr. Chow (30,499,200 Shares) and Mr. Cheung (40,640,184 Shares); and

(ii) upon the exercise of the Exchangeable Note, allot and issue 50,000,000 Shares, credited as fully paid, to Novel Choice;

(c) the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing Shares then in issue and the Directors be and are hereby authorised to give effect to the Capitalisation Issue; and

(d) the Shares allotted and issued to Kitling (BVI), Mr. Chow and Mr. Cheung pursuant to paragraph (b)(i) shall be valid only upon the Listing.

6. Reorganisation

The companies comprising the Group underwent the Reorganisation in preparation for the Listing. Information relating to the Reorganisation is available under the section headed "History, reorganisation and corporate structure — Reorganisation" in this prospectus.

7. Buy-back of the Company's own securities

This paragraph sets out information required by the Stock Exchange to be included in this prospectus relating to the buy-back of the Company's own securities.

(a) Provisions of the Listing Rules

This Listing Rules permit companies with a primary listing on the Stock Exchange to buy back their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholder's approval

All proposed buy-back of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company with primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Buy-back transactions must be paid out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any buy-back by the Company may be made out of profits of the Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of buy-back. Any amount of premium payable on the purchase over the par value of the Shares to be purchased must be made out of funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the share premium account of the Company or, if authorised by the Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands, out of capital.

(b) Reasons for buy-back transactions

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to buy back the Shares in the market. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such buy-back will benefit the Company and the Shareholders.

(c) Funding of buy-back transactions

In buying back securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) General

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their associates currently intends to sell any Shares to the Company or its subsidiaries. The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities buy-back, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of the increase of such Shareholder's interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-back Mandate.

The Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered by the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) a share sale and purchase agreement dated 27 December 2017 entered into among Mr. Cheung, Mr. Chow and Yun Lee (BVI) in respect of the sale and purchase of 70% shareholding interest of MKK Marine, pursuant to which (i) Mr. Cheung agreed to sell 8,000 shares in MKK Marine to Yun Lee (BVI) in consideration of Yun Lee (BVI) allotting and issuing 533 shares of Yun Lee (BVI) to Mr. Cheung; and (ii) Mr. Chow agreed to sell 6,000 shares in MKK Marine to Yun Lee (BVI) in consideration of Yun Lee (BVI) allotting and issuing 400 shares of Yun Lee (BVI) to Mr. Chow;

(b) a share swap agreement dated 14 September 2018 entered into by Kitling (BVI), Mr. Cheung, Mr. Chow, the Company, Mr. Wen and Ms. Chan, pursuant to which Kitling (BVI) agreed to transfer its 9,067 shares in Yun Lee (BVI) to the Company, Mr. Cheung agreed to transfer his 533 shares in Yun Lee (BVI) to the Company and Mr. Chow agreed to transfer his 400 shares in Yun Lee (BVI) to the Company, in consideration of the Company allotting and issuing 9,067 Shares to Kitling (BVI), 533 Shares to Mr. Cheung and 400 Shares to Mr. Chow, respectively;

(c) the Deed of Indemnity;

(d) the Deed of Non-competition; and

(e) the Public Offer Underwriting Agreement.

2. Intellectual property

2.1 Trademarks

As at the Latest Practicable Date, Yun Lee Marine was the registered owner of the following trademarks which, in the opinion of the Directors, are material to the business of the Group:

(1)	**Trademark**	**Registered owner**	**Place of Registration**	**Class**	**Registration number**	**Registration date**	**Expiry date**
A		Yun Lee Marine	Hong Kong	9, 12, 35, 37, 39	304386998	3 January 2018	2 January 2028
B							

(2)	**Trademark**	**Registered owner**	**Place of Registration**	**Class**	**Registration number**	**Registration date**	**Expiry date**
A		Yun Lee Marine	Hong Kong	9, 12, 35, 37, 39	304355415	4 December 2017	3 December 2027
B							

2.2 Domain name

As at the Latest Practicable Date, Yun Lee Marine has registered the following domain name which, in the opinion of the Directors, is material to the business of the Group:

Domain name	**Registered owner**	**Registration date**	**Expiry date**
yunlee.com.hk	Yun Lee Marine	15 May 2005	19 May 2023

The contents of the above website does not form part of this prospectus.

3. Connected transactions and related party transactions

Save as disclosed in the sections headed "Business", "Connected transactions" and "Relationship with the Controlling Shareholders" in this prospectus and "Related party disclosures" in note 24 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the Track Record Period, the Company has not engaged in any other material connected transactions or related party transactions.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests of Directors and chief executive

Immediately following completion of the Capitalisation Issue and the Share Offer, without taking into consideration the Shares which may be issued pursuant to the exercise of any Shares that may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director(s)	Capacity/ Nature of Interest	Number of Shares held	Percentage of shareholding in the Company
Mr. Wen *(Note)*	Interest in a controlled corporation and interest of spouse	628,858,750	62.89%
Ms. Chan *(Note)*	Interest in a controlled corporation and interest of spouse	628,858,750	62.89%

Note: These Shares are registered in the name of Kitling (BVI), a company which is owned as to 70% by Mr. Wen and 30% by Ms. Chan. Mr. Wen is the spouse of Ms. Chan.

(ii) Long position in the shares of associated corporation

Name of Director(s)	Name of associated corporation	Capacity/Nature of Interest	Number of shares held	Percentage of shareholding in the associated corporation
Mr. Wen	Kitling (BVI)	Beneficial owner	70	70%
Ms. Chan	Kitling (BVI)	Beneficial owner	30	30%

(b) Interests of Substantial Shareholders and other Shareholders

So far as is known to the Directors and save as disclosed in this prospectus and without taking into account of any Shares which may be taken up under the Share Offer, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/ Nature of Interest	Numbers of Shares held	Percentage of shareholding in the Company
Kitling (BVI)	Beneficial owner	628,858,750	62.89%
Novel Choice	Beneficial owner	50,000,000	5.0%
Mr. Tang *(Note)*	Interest in a controlled corporation	50,000,000	5.0%

Note: Mr. Tang is the sole shareholder of Novel Choice, hence Mr. Tang is deemed to be interested in 50,000,000 Shares (representing 5.0% of the issued share capital of the Company) held by Novel Choice under the SFO.

2. Particulars of the executive Directors' service contracts and letters of appointment with the independent non-executive Directors

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and subject to termination in accordance with their respective terms. Each of these service contracts may be renewed in accordance with the Memorandum and Articles of Association and the applicable laws and regulations.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date. The letters of appointment are subject to termination in accordance with their respective terms.

3. Directors' remuneration

The remuneration paid by the Group to the Directors for each of the three years ended 31 March 2018 and the six months ended 30 September 2018, including salaries, housing and other benefits in kind, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses, totalling approximately HK$2,476,000, HK$2,956,000, HK$3,024,000 and HK$1,695,000, respectively.

Under the arrangements currently in force, the Group estimates that the aggregate remuneration payable to, and the benefits in kind receivable by, the Directors (excluding discretionary bonuses) for the year ending 31 March 2019 will be approximately HK$3,964,000.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or the chief executive of the Company has, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be issued upon exercise of the Share Option Scheme), any interest or short position in the Shares, underlying Shares or debentures of the Company or any of the associated corporation (within the meaning of Part XV of the SFO) which will have 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 in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code once the Shares are listed;

(b) none of the Directors or the experts referred to in "E. Other Information — 8. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any asset which was within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors or the experts referred to in "E. Other Information — 8. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(d) so far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be issued upon exercise of the Share Option Scheme), no person (other than a Director or chief executive of the Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group; and

(e) so far as the Directors are aware, none of the Directors, their respective close associates or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interest in the five largest customers and/or suppliers of the Group.

D. SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 20 September 2018. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purposes of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with sub-paragraph (c) to the following persons ("**Eligible Participants**"):

(i) any Eligible Employees. "**Eligible Employees**" means any employee (whether full time or part time, including any executive Director but not excluding any non-executive Director) of the Company, any subsidiary or any entity in which the Group holds at least 20% of its issued share capital;

(ii) any Directors (including the independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries;

(iv) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; and

(v) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group in accordance with the following assessment criteria:

1. contribution to the development and performance of the Group;

2. quality of work performed for the Group;

3. initiative and commitment in performing his/her duties; and

4. length of service or contribution to the Group.

(c) Subscription price for Shares

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (a "**Trading Day**"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the offer date of the relevant option; and (iii) the nominal value of a Share on the offer date. For the purpose of calculating the subscription price where the Company has been listed for less than five Trading Days, the Offer Price of the Shares shall be used as the closing price of the Shares for any Trading Days falling within the period before the Listing Date.

(d) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such payment shall not be refundable in any circumstances. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

The exercise of any option shall be subject to the Shareholders' general meeting approval for any necessary increase in the authorised share capital of the Company.

(e) Maximum number of Shares

(i) Subject to sub-paragraphs (ii) and (iv) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in result of up to 100,000,000 Shares to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned in sub-paragraphs (i) above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other schemes of the Company will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(iii) The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options granted and the purpose of granting such options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercising of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme of the Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

(i) approval of the Shareholders at general meeting, with such Eligible Participant and his/her close associates abstaining from voting;

(ii) a circular in relation to the proposal for such further grant must be sent by the Company to the Shareholders with such information as required by the Listing Rules from time to time;

(iii) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and

(iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

(g) Grant of options to certain connected persons

(i) Any grant of an option to a Director, chief executive or Substantial Shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(ii) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company in any 12-month period up to and including the date of grant:

1. representing in aggregate over 0.1% of the Shares in issue; and

2. having an aggregate value, based on the closing price of the Shares in the date of each grant, in excess of HK$5,000,000,

such further grant of options is required to be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his associates, and all core connected persons of the Company shall abstain from voting in favour at such general meeting. Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their associates is also required to be approved by Shareholders in the aforesaid manner.

(h) Restrictions on the time of grant of options

(i) The Company may not grant any options after inside information has come to its knowledge until it has announced the information. In particular, the Company may not grant any option during the period commencing one month immediately before the earlier of:

1. the date of the Board meeting (such date to first be notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

2. the deadline for the Company to announce the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

(ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code or any corresponding code or securities dealing restrictions adopted by the Company.

(i) Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant, subject to the provisions of early termination thereof.

The grantee shall not exercise an option to the extent that the public float of the Company will be less than 25% (or such higher percentage as required by the Listing Rules) of the issued share capital of the Company immediately after the allotment and issuance of the Shares upon such exercise of the option.

(j) Performance targets

Save as may be determined by the Board at its absolute discretion and notified to the participant, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

No dividends shall be payable in relation to the Shares that are subject of options that have not been exercised. The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Memorandum and the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(l) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(m) Rights on cessation of employment by death

In the event of death of the grantee (being an individual) before exercising the option in full, his personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following his death or such longer period as the Board may determine.

(n) Rights on cessation of employment by other reasons

In the event of the grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his death, or the termination of his employment pursuant to paragraph (s)(v), the grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as the Board may determine. The date of cessation as aforesaid shall be the last day on which the grantee was actually at work with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine.

(o) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(p) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(q) Rights on a winding up

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(r) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the grantee shall be entitled to exercise all or any of his/her option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting and the Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

(s) Lapse of options

An option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any periods referred to in the paragraphs (m) and (n) above;

(iii) subject to paragraph (q), the date of the commencement of the winding-up of the Company;

(iv) the expiry of the period referred to in paragraph (r) above;

(v) the date on which the grantee who is an Eligible Participant ceases to be an Eligible Participant by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Eligible Participant, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;

(vi) in respect of a grantee other than an Eligible Participant, the date on which the Board shall at its absolute discretion determine that (i) (aa) such grantee has committed any breach of any contract entered into between such grantee on one part and the Group on the other part; or (bb) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) such grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in subparagraph (i) (aa), (bb) or (cc) above, unless otherwise resolved to the contrary by the Board;

(vii) the expiry of the period referred to in paragraph (p) above; and

(viii) the date on which the grantee commits a breach of paragraph (k) or any terms or conditions attached to the grant of the options or an event, in respect of a grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by the Board.

If the grantee is a company wholly owned by one or more Eligible Participants:

(1) the provisions of paragraphs (m), (n), (s)(v) and (s)(vi) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (m), (n), (s)(v) and (s)(vi) shall occur with respect to the relevant Eligible Participant; and

(2) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant,

provided that the Board may in its absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(t) Cancellation of options granted but not yet exercised

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the Share Option Scheme from time to time.

(u) Period of the Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years after the adoption date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the Share Option Scheme shall remain in full force and effect.

The Board may impose such terms and conditions of the offer of grant either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme including but not limited to the minimum period for which an option must be held before it can be exercised.

(v) Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and conditions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the grantee as would be required of the Shareholders under the Articles for the time being of the Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Directors or administrators of the Share Option Scheme in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the Share Option Scheme such that the provisions of the Share Option Scheme would comply with all relevant legal and regulatory requirements in all Relevant Jurisdictions to the extent as considered necessary by the Board to implement the terms of the Share Option Scheme.

(w) Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

Details of the options granted, including options exercised or outstanding under the Share Option Scheme, shall be disclosed in the circular to the Shareholders of the Company seeking approval of any new scheme to be established after the termination of the Share Option Scheme.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting the approval of the listing of and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and (iii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no option had been granted by the Company under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by the Company pursuant to the exercise of options that may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date.

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Estate Duty

The Directors of the Company have been advised that no material liability for estate duty is likely to fall on the Company and any of its subsidiaries.

2. Tax and other indemnities

The Controlling Shareholders have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries, Eastlink Marine and Scenic Shipping) pursuant to which the Controlling Shareholders have agreed to jointly and severally indemnify each of the members of the Group against, inter alia, the following:

(a) the amount of any and all taxation which might fall on any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received, on or before the date on which Share Offer becomes unconditional;

(b) any liability for Hong Kong estate duty which is or becomes payable by any member of the Group by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any part of the world arising from the death of an individual and by reason of any transfer of any property on such individual's death to any member of the Group on or before the date on which the Share Offer becomes unconditional;

(c) any actions, claims, demands, proceedings, judgments, costs, fees, expenses, penalties, fines, damages, losses and liabilities suffered or incurred by the Company or any member of the Group as a result of directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings accrued or arising on or before the date on which the Share Offer becomes unconditional; and

(d) any losses, claims, actions, payments, charges, demands, liabilities, damages, proceedings, judgments, costs, fees, expenses, penalties and fines of whatever nature suffered or incurred by the Company and/or any member of the Group directly or indirectly arising from any non-compliance or alleged non-compliance with any applicable laws, rules or regulations by the Company and/or any member of the Group on or before the date on which the Share Offer becomes unconditional.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

(a) provision, reserve, or allowance has been made for such taxation liability in the consolidated audited accounts of the Group or any member of the Group for each of the three years ended 31 March 2018 and the six months ended 30 September 2018; or

(b) the taxation of liability falling on any member of the Group on or after the Listing Date except liability or claim for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by the Company or any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Controlling Shareholders but excluding such act, omission or transaction:

    (i) carried out or in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

    (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or

    (iii) consisting of any of the members of the Group ceasing, or being deemed to cease, to be a member of the Group for the purposes of any matter of taxation on or before the Listing Date; or

(c) any provisions or reserve made for taxation in the audited accounts of the Company or any member of the Group for each of the three years ended 31 March 2018 and the six months ended 30 September 2018 which is finally established to be an over-provision or an excessive reserve, then the Controlling Shareholders' liability (if any) in respect of such taxation, taxation claim or liability shall be reduced by an amount not exceeding such over-provision or excessive reserve; or

(d) the taxation liability arises in the ordinary course of business of the Group after the Listing Date; or

(e) the taxation liability arises or is incurred as a result of any retrospective change in the law or the interpretation or practice coming into force after the date on which the Share Offer becomes unconditional or any retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional.

3. Litigation

Save as disclosed in the section headed "Business — Litigations and Claims — Legal proceedings" in this prospectus, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries that would have a material adverse effect on the results of operations or financial condition of the Group.

4. Preliminary expenses

The preliminary expenses of the Company are approximately HK$27,000 and are payable by the Company.

5. Promoter

The Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

6. Agency fees and commission received

The commission and expenses relating to the Share Offer that are to be borne by the Company are set out in the section headed "Underwriting — Commission and expenses" in this prospectus.

7. Sponsor and the application for listing

Messis Capital Limited, being the Sponsor, has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sponsor is independent from the Company pursuant to Rule 3A.07 of the Listing Rules.

The Sponsor will receive a fee of HK$4,750,000 to act as the sponsor to the Company in connection with the Share Offer.

8. Qualifications of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in, this prospectus:

Name of Expert	Qualifications
Messis Capital Limited	A corporation licensed to engage Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO and the Sponsor of the Company
Deloitte Touche Tohmatsu	Certified Public Accountants
Ogier	Cayman Islands legal advisers
Ipsos Limited	Industry consultant
Ms. Yan Chi Yee Angie	Barrister-at-law of Hong Kong

9. Consent of experts

Each of the experts set out in the sub-section headed "E. Other information — 8. Qualifications of experts" in this section has given and has not withdrawn her/its consent to the issue of this prospectus with copies of its reports, valuations, letters or opinions (as the case may be) and/or references to her/its name included in the form and context in which they respectively appear.

10. Financial Adviser

The Company has appointed Karl Thomson Financial Advisory Limited as the financial adviser to provide financial advisory services in relation to the Share Offer. The appointment of Karl Thomson Financial Advisory Limited is on the initiative of the Company and not pursuant to any requirement of the Listing Rules. The role of the financial adviser is separate and distinct from the role of the Sponsor. Principal functions performed by the financial adviser include: selection and appointment of underwriters, syndicate members and other professional advisers; assisting the Company in coordinating the work of other professional advisers; reviewing relevant documentation in relation to the Share Offer; structuring of the Listing and the Share Offer; and advising the Company on timing and market positioning of the Share Offer. The Sponsor has not relied on the work performed by Karl Thomson Financial Advisory Limited in fulfilling its duties.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealing in Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profit tax.

(b) Cayman Islands Taxation

Payments of dividends and capital in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of Shares, nor will gains derived from the disposal of Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attached to them. It is emphasised that none of the Company, its Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares of exercising any rights attaching to them.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Particulars of the Selling Shareholder

The Selling Shareholder is Kitling (BVI), a company incorporated in the BVI with limited liability on 7 November 2017 with registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. Kitling (BVI) is directly owned as to 70% by Mr. Wen and 30% by Ms. Chan. 62,500,000 Sale Shares shall be offered for sale by Kitling (BVI).

15. Miscellaneous

(a) Save as otherwise disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or of any of the principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the subsidiaries;

(iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares or debentures in the Company or any of the subsidiaries;

(iv) neither the Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares; and

(v) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) The Company has no outstanding convertible debt securities or debentures.

(c) No company within the Group is presently listed on any stock exchange or traded on any trading system.

(d) There are no restrictions affecting the remittance of profits or repatriation of capital by the Group into Hong Kong from outside Hong Kong.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) None of the Directors or their associates nor, to the knowledge of the Directors, any Shareholder who held more than 5% of the total issued Shares as of the Latest Practicable Date had any interest in any of the five largest customers and in any of the five largest suppliers of the Group.

(g) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration, amongst other documents, were:

(a) copies of the Application Forms;

(b) the written consents referred to in the section headed "Statutory and general information — E. Other information — 9. Consent of experts" in Appendix IV to this prospectus;

(c) certified copies of the material contracts referred to in the section headed "Statutory and general information — B. Further information about the business of the Group — 1. Summary of material contracts" in Appendix IV to this prospectus; and

(d) the statement of particulars of the Selling Shareholder as set out in the paragraph headed "Statutory and general information — E. Other information — 14. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Angela Ho & Associates at Unit 1405, 14/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the accountants' report of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(d) the Companies Law;

(e) the legal opinion issued by the Legal Counsel;

(f) the letter of advice prepared by Ogier, summarising certain aspects of the constitution of the Company and Cayman Islands company law as referred to in Appendix III to this prospectus;

(g) the industry report prepared by Ipsos;

(h) the material contracts referred to in the section headed "Statutory and general information — B. Further information about the business of the Group — 1. Summary of material contracts" in Appendix IV to this prospectus;

(i) the service contracts and letters of appointment referred to in the section headed "Statutory and general information — C. Further information about directors and shareholders" in Appendix IV to this prospectus;

(j) the written consents referred to in the section headed "Statutory and general information — E. Other information — 9. Consent of experts" in Appendix IV to this prospectus;

(k) the Share Option Scheme; and

(l) the statement of particulars of the Selling Shareholder as set out in the paragraph headed "Statutory and general information — E. Other information — 14. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.