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Yun Lee Marine Group Holdings Limited
潤利海事集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2682)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023

HIGHLIGHTS

- The net profit for the year attributable to owners of the Company has decreased by 11.7%, from approximately HK\$40,803,000 for the year ended 31 March 2022 to approximately HK\$36,011,000 for the year ended 31 March 2023.
- Basic earnings per share for the year ended 31 March 2023 was approximately HK3.60 cents (2022: HK4.08 cents).
- The Board has resolved to recommend the payment of a final dividend of HK1.8 cents per ordinary share in respect of the year ended 31 March 2023 (2022: HK2.0 cents). The proposed final dividend which totals HK\$18,000,000 (2022: HK\$20,000,000), if approved at the forthcoming annual general meeting, will be paid on 27 September 2023 to the shareholders on the register of members as at 6 September 2023.

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yun Lee Marine Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	239,876	364,005
Cost of revenue		<u>(154,424)</u>	<u>(270,695)</u>
Gross profit		85,452	93,310
Other income	4	4,734	851
Other gains and losses	5	(534)	3,501
Impairment loss under expected credit loss model, net of reversal		3,863	(2,912)
Administrative expenses		(43,338)	(40,666)
Finance costs	6	(60)	(113)
Share of results of associates		<u>(1,047)</u>	<u>2,231</u>
Profit before taxation		49,070	56,202
Income tax expenses	7	<u>(7,615)</u>	<u>(10,242)</u>
Profit and total comprehensive income for the year	8	<u><u>41,455</u></u>	<u><u>45,960</u></u>
Profit and total comprehensive income for the year attributable to:			
– owners of the Company		36,011	40,803
– non-controlling interests		<u>5,444</u>	<u>5,157</u>
		<u><u>41,455</u></u>	<u><u>45,960</u></u>
Earnings per share – Basic (HK cents)		<u><u>3.60</u></u>	<u><u>4.08</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		124,943	103,370
Right-of-use assets		3,997	2,190
Interests in associates		3,997	8,420
Deposit for acquisition of property, plant and equipment		—	6,812
Other non-current asset		3,100	3,100
Rental deposits		238	142
Deposit for acquisition of an associate		5,950	—
Deferred tax assets		1,272	1,336
		143,497	125,370
Current assets			
Trade and other receivables	10	50,890	133,861
Tax recoverable		2,249	165
Time deposits		75,702	8,057
Cash and cash equivalents		67,714	73,354
		196,555	215,437
Current liabilities			
Trade and other payables	11	32,195	46,853
Amounts due to associates		316	2,851
Amount due to a non-controlling shareholder of a subsidiary		4,900	4,900
Lease liabilities		898	1,953
Tax payables		261	2,386
		38,570	58,943
Net current assets		157,985	156,494
Total assets less current liabilities		301,482	281,864

	Note	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Lease liabilities		3,117	265
Deferred tax liabilities		14,163	11,013
		<u>17,280</u>	<u>11,278</u>
Net assets		<u>284,202</u>	<u>270,586</u>
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		241,388	225,377
		<u>251,388</u>	<u>235,377</u>
Equity attributable to owners of the Company		251,388	235,377
Non-controlling interests		32,814	35,209
		<u>284,202</u>	<u>270,586</u>
Total equity		<u>284,202</u>	<u>270,586</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 21 February 2018. Its immediate and ultimate holding company is Kitling Investments (BVI) Limited (“**Kitling (BVI)**”). The ultimate controlling shareholders of the Company and its subsidiaries (the “**Group**”) are Mr. Wen Tsz Kit Bondy (“**Mr. Wen**”) and Ms. Chan Sau Ling Amy (“**Ms. Chan**”), the spouse of Mr. Wen (collectively as “**the Controlling Shareholders**”). The address of the registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business of the Company is Flat D, 31/F., Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are provision of (i) vessel chartering and related services; and (ii) ship management services in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from provision of vessel chartering and related services and ship management services.

Information reported to the executive 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 Stonecutters 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 and reportable segments:

Year ended 31 March 2023

	Vessel chartering and related services HK\$'000	Ship management services HK\$'000	Total HK\$'000
SEGMENT REVENUE			
External revenue	<u>213,924</u>	<u>25,952</u>	<u>239,876</u>
Segment profit	<u>77,841</u>	<u>11,474</u>	89,315
Share of results of associates			(1,047)
Other income			4,734
Other gains and losses			(534)
Administrative expenses			(43,338)
Finance costs			<u>(60)</u>
Profit before taxation			<u>49,070</u>

Year ended 31 March 2022

	Vessel chartering and related services HK\$'000	Ship management services HK\$'000	Total HK\$'000
SEGMENT REVENUE			
External revenue	<u>338,265</u>	<u>25,740</u>	<u>364,005</u>
Segment profit	<u>77,961</u>	<u>12,437</u>	90,398
Share of results of associates			2,231
Other income			851
Other gains and losses			3,501
Administrative expenses			(40,666)
Finance costs			<u>(113)</u>
Profit before taxation			<u>56,202</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 and finance costs. 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.

4. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Interest income from banks	1,135	138
Management fee income	360	360
Government grants	2,790	—
Others	449	353
	<u>4,734</u>	<u>851</u>

For the year ended 31 March 2023, the Group recognised the government grants of HK\$2,790,000 relates to Employment Support Scheme provided by the Hong Kong Government.

5. OTHER GAINS AND LOSSES

	2023	2022
	HK\$'000	HK\$'000
(Loss)/gain on disposal of property, plant and equipment	(539)	2,645
Fair value change of financial asset at FVTPL	—	956
Net exchange gains/(losses)	5	(100)
	<u>(534)</u>	<u>3,501</u>

6. FINANCE COSTS

	2023	2022
	HK\$'000	HK\$'000
Interest on bank loans	—	12
Interest on lease liabilities	60	101
	<u>60</u>	<u>113</u>

7. INCOME TAX EXPENSES

	2023	2022
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– Current year	4,094	6,225
– Under (over) provision in prior years	307	313
	<u>4,401</u>	<u>6,538</u>
Deferred tax		
Current year	3,214	3,704
	<u>7,615</u>	<u>10,242</u>

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2023	2022
	HK\$'000	HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Salaries and other allowances	67,676	75,258
– Retirement benefit scheme contributions	2,037	2,348
Total staff costs	<u>69,713</u>	<u>77,606</u>
Depreciation of property, plant and equipment	8,116	5,993
Depreciation of right-of-use assets	1,994	2,543
Auditor's remuneration	<u>2,213</u>	<u>1,298</u>

9. DIVIDENDS

	2023	2022
	HK\$'000	HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Final - HK2.0 cents (2021 Final: HK1.3 cent)	<u>20,000</u>	<u>13,000</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2023 of HK1.8 cents (2022: HK2.0 cents) per ordinary shares, in an aggregate amount of HK\$18,000,000 (2022: HK\$20,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK\$'000	HK\$'000
Trade receivables		
– Third parties	43,825	100,100
– Associates	<u>2,861</u>	<u>34,679</u>
	46,686	134,779
Less: Allowance of credit loss	<u>(1,399)</u>	<u>(5,262)</u>
	45,287	129,517
Other receivables		
– Prepayments	2,614	2,607
– Deposits	8,226	1,384
– Rental deposits	941	492
– Others	<u>10</u>	<u>3</u>
Sub Total	57,078	134,003
Less: Rental deposits shown under non-current asset	(238)	(142)
Deposit for acquisition of an associate	<u>(5,950)</u>	<u>—</u>
Amounts shown under current assets	<u>50,890</u>	<u>133,861</u>

The Group allows a credit period of 30 to 90 days (2022: 30 to 90 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. As at 1 April 2021, trade receivables from contracts with customers amounted to HK\$68,734,000.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	14,924	58,160
31 to 60 days	14,180	25,716
61 to 90 days	8,430	24,255
91 to 120 days	3,104	17,303
Over 120 days	4,649	4,083
	<u>45,287</u>	<u>129,517</u>

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK\$'000	HK\$'000
Trade payables	16,509	31,032
Accrued expenses	14,473	14,533
Deposits received	1,213	1,288
	<u>32,195</u>	<u>46,853</u>

The credit period of trade payables is from 30 to 60 days from the invoice date.

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

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	7,150	11,856
31 to 60 days	4,296	9,592
61 to 90 days	1,578	3,544
91 to 120 days	1,414	3,890
Over 120 days	2,071	2,150
	<u>16,509</u>	<u>31,032</u>

12. SHARE CAPITAL

	Number of shares	Amount HK\$	Shown as HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>5,000,000,000</u>	<u>50,000,000</u>	<u>N/A</u>
Issued and fully paid			
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>10,000</u>

13. EVENT AFTER THE REPORTING PERIOD

On 13 January 2023, the Group entered into a sale and purchase agreement to acquire additional 34% of equity interest from two shareholders of YLTK (the “**Vendors**”) at a total consideration of HK\$23,800,000. The Group is required to pay to the Vendors a total amount of HK\$11,900,000 in cash up to the completion date and the remaining balance of HK\$11,900,000 will be settled by promissory note. The promissory note has an interest of 5% per annum with a maturity date of 12 months from the completion date.

According to the sales and purchase agreement, each of the Vendors severally guarantees that the aggregate audited net profits attributable to the owners of YLTK for the financial years ending 31 March 2024, 2025, and 2026 shall not be less than HK\$70,000,000. In the event of shortfall, each of the Vendors severally undertakes to pay 17% of each shortfall within 30 days after the issuance of the audited financial statements for the financial year ending 2026.

Prior to the Acquisition, the Group holds 17% equity interest in YLTK and is classified as an associate of the Group. Upon the completion of the Acquisition on 2 May 2023, the Group holds 51% equity interest in YLTK and YLTK has become a non-wholly owned subsidiary of the Company.

The initial accounting for the business combination is incomplete at the date of this report. The Group is awaiting to obtain the finalised financial information of YLTK on the completion date and the completion of the valuation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a maritime services provider in Hong Kong with over 20 years of operating history. The principle activities of the Group are provision of (i) vessel chartering and related services; and (ii) ship management in Hong Kong. The Group's vessel chartering and related services include (i) time charter services; (ii) voyage charter services; and (iii) other related services, such as provision of crew members, maritime consultation services and vessel repair and maintenance services. The Group provided its time charter and voyage charter services through its vessel fleet, which comprises (i) 57 self-owned vessels and (ii) vessels chartered from third-party vessel suppliers from time to time.

The shares of the Company had successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2019 (the “**Listing**”).

During the year, the Group provided its vessel chartering and related services mainly to the marine construction contractors of several marine infrastructure projects in Hong Kong, including the Three-Runway System project in the Hong Kong International Airport (“**3RS Project**”), Integrated Waste Management Facilities Phase 1 project in Shek Kwu Chau (“**IWMF Project**”), Tung Chung New Town Extension project (“**Tung Chung Project**”) and other short-term marine services projects.

BUSINESS PROSPECTS

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

The revenue and profits from the Group's ship management business is expected to remain stable going forward.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by approximately 34.1%, from approximately HK\$364,005,000 for the year ended 31 March 2022 to approximately HK\$239,876,000 for the year ended 31 March 2023. Such decrease was mainly attributable to the decrease in the revenue of the Group's vessel chartering and related services by approximately 36.8%, from approximately HK\$338,265,000 for the year ended 31 March 2022 to approximately HK\$213,924,000 for the year ended 31 March 2023, which was mainly attributed by the decreased revenue of vessel chartering and related services, such as procurement services, rendered to short term marine services projects.

Cost of revenue

The Group's cost of revenue primarily consists of vessel chartering costs, staff costs and related expenses, subcontracting fees, repair and maintenance expenses, fuel costs, depreciation expenses, and other costs. The cost of revenue decreased by approximately 43.0%, from approximately HK\$270,695,000 for the year ended 31 March 2022 to approximately HK\$154,424,000 for the year ended 31 March 2023, which was mainly represented by the decreased vessel chartering expenses payable to third-party vessel suppliers and other costs related to services rendered to short term marine services projects during the Period, as such revenue has decreased during the Period.

Gross profit and gross profit margins

The Group's gross profit decreased by approximately 8.4%, from approximately HK\$93,310,000 for the year ended 31 March 2022 to approximately HK\$85,452,000 for the year ended 31 March 2023. Meanwhile, the Group's gross profit margin recorded an increase of approximately 10.0 percentage point from approximately 25.6% for the year ended 31 March 2022 to approximately 35.6% for the year ended 31 March 2023, which was mainly due to (i) the aforesaid decrease in the provision of third-party owned vessels, which generated relatively lower gross profit margin than the Group's self-owned vessels; and (ii) decreased portion of lower gross profit margin services rendered among the total revenue.

Other income

The Group's other income increased by approximately 5.56 times, from approximately HK\$851,000 for the year ended 31 March 2022 to approximately HK\$4,734,000 for the year ended 31 March 2023. During the year, the Group recognised government grants of HK\$2,790,000 (2022: HK\$nil) in respect of COVID-19-related subsidies, of which HK\$2,790,000 (2022: HK\$nil) relates to Employment Support Scheme provided by the Hong Kong government.

Other gains and losses

The Group's other gains decreased from approximately HK\$3,501,000 for the year ended 31 March 2022 to other losses of approximately HK\$534,000 for the year ended 31 March 2023. Such other losses mainly represented by the recognition of non-recurring losses on disposal of vessels during the year ended 31 March 2022.

Administrative expenses

The Group's administrative expenses increased by approximately 6.6%, from approximately HK\$40,666,000 for the year ended 31 March 2022 to approximately HK\$43,338,000 for the year ended 31 March 2023, which was mainly attributable by the increase in the business development expenses and professional fees during the year ended 31 March 2023.

Finance costs

The Group's finance costs decreased from approximately HK\$113,000 for the corresponding period last year to approximately HK\$60,000 for the current year, which mainly represented by the interest on lease liabilities being recognised pursuant to HKFRS 16.

Share of results of associates

The Group recorded share of loss from associates of approximately HK\$1,047,000 during the year ended 31 March 2023 (2022: share of profit of HK\$2,231,000). Such change mainly represented by (i) the share of profit of Eastlink Marine Services Limited; and (ii) the share of loss of Yun Lee (Tim Kee) Marine Construction Limited, which was profit making during the year ended 31 March 2022.

Income tax expenses

For the year ended 31 March 2023, the Group's income tax expenses were approximately HK\$7,615,000 (2022: approximately HK\$10,242,000), and the effective tax rate was approximately 15.52% (2022: approximately 18.2%).

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the foregoing, the Group's profit for the year attributable to owners of the Company decreased by approximately 11.7%, from approximately HK\$40,803,000 for the year ended 31 March 2022 to approximately HK\$36,011,000 for the year ended 31 March 2023. Basic earnings per share attributable to owners of the Company decreased from approximately HK4.08 cents for the year ended 31 March 2022 to approximately HK3.60 cents for the year ended 31 March 2023.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK1.8 cents per ordinary share in respect of the year ended 31 March 2023 (2022: HK2.0 cents). The proposed final dividend which totals HK\$18,000,000 (2022: HK\$20,000,000), if approved at the forthcoming annual general meeting, will be paid on 27 September 2023 to the shareholders on the register of members as at 6 September 2023.

Trade and other receivables

The Group's trade and other receivables were decreased by approximately 62.0%, from approximately HK\$133,861,000 as at 31 March 2022 to approximately HK\$50,890,000 as at 31 March 2023.

The Group's trade receivables turnover days increased from approximately 103.2 days for the year ended 31 March 2022 to approximately 138.1 days for the year ended 31 March 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had net current assets of approximately HK\$157,985,000 as at 31 March 2023 (2022: approximately HK\$156,494,000). The Group's current ratio recorded an increase from approximately 3.7 as at 31 March 2022 to approximately 5.1 as at 31 March 2023.

Gearing ratio is calculated based on the total debt divided by total equity at the respective reporting date. As at 31 March 2023, the Group's gearing ratio was nil (2022: nil), as there were no debt as at 31 March 2023 and 2022.

Following the Listing, the Group's operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, cash flow from its operating activities and the net proceeds generated from the Listing. The Board believes that the Group's liquidity needs will be satisfied. With strengthened liquidity position, the Group is able to expand in accordance with its business strategy.

Details of the Company's share capital are set out in note 12 to this announcement.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of approximately HK\$32,778,000 during the year ended 31 March 2023 (2022: approximately HK\$10,300,000), mainly represented the addition of vessels.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had no significant capital commitments (2022: nil).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investment during the years ended 31 March 2023 and 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

On 13 January 2023, the Group entered into a sale and purchase agreement to acquire additional 34% of equity interest from two shareholders of YLTK (the “Vendors”) at a total consideration of HK\$23,800,000.

The transaction was completed on 2 May 2023. Since then, YLTK becomes an indirect non wholly-owned subsidiary of the Group.

Save as disclosed in the abovementioned acquisition of the subsidiary, the Group did not conduct any material acquisition and disposal of subsidiaries during the year ended 31 March 2023.

The Group did not conduct any material acquisition and disposal of subsidiaries during the years ended 31 March 2022.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any significant contingent liabilities (2022: nil).

EVENTS AFTER THE REPORTING PERIOD

On 13 January 2023, the Group entered into a sale and purchase agreement to acquire additional 34% of equity interest from two shareholders of YLTK (the “Vendors”) at a total consideration of HK\$23,800,000. The Group is required to pay to the Vendors a total amount of HK\$11,900,000 in cash up to the completion date and the remaining balance of HK\$11,900,000 will be settled by promissory note. The promissory note has an interest of 5% per annum with a maturity date of 12 months from the completion date.

According to the sales and purchase agreement, each of the Vendors severally guarantees that the aggregate audited net profits attributable to the owners of YLTK for the financial years ending 31 March 2024, 2025, and 2026 shall not be less than HK\$70,000,000. In the event of shortfall, each of the Vendors severally undertakes to pay 17% of each shortfall within 30 days after the issuance of the audited financial statements for the financial year ending 2026.

Prior to the Acquisition, the Group holds 17% equity interest in YLTK and is classified as an associate of the Group. Upon the completion of the Acquisition on 2 May 2023, the Group holds 51% equity interest in YLTK and YLTK has become a non-wholly owned subsidiary of the Company.

The initial accounting for the business combination is incomplete at the date of this report. The Group is awaiting to obtain the finalised financial information of YLTK on the completion date and the completion of the valuation.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this annual results announcement are historical in nature and past performance is not a guarantee of future performance. This annual results announcement may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this annual results announcement of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and has complied with the CG Code since Listing Date and up to 31 March 2023, except in relation to provision A.2.1 of the CG Code which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wen Tsz Kit Bondy, an executive Director, is both 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.

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

From the Listing Date up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 March 2023, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as rules governing dealings by the Directors in the listed securities of the Company. The Company has made specific enquiries to all Directors and all Directors have confirmed that they have complied with the Model Code from the Listing date and up to the date of this announcement.

USE OF NET PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on 18 March 2019. Net proceeds from the Listing (after deducting underwriting fee and relevant expenses payable by the Group in connection with the Listing) amounted to approximately HK\$65.6 million. As at 31 March 2023, a total amount of HK\$43.6 million out of the net proceeds had been used by the Group according to the allocation set out in the Company's announcement of offer price and allotment results dated 15 March 2019. As at 31 March 2023, the Group's planned application and actual utilisation of the net proceeds is set out below:

	Utilisation of net proceeds during the		Utilised net proceeds as at 31	Remaining balance of the net proceeds as at 31	Expected timetable of full utilisation of the balance
	Planned use of net proceeds	year ended 31 March 2023	March 2023	March 2023	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Acquiring vessels	43,625	—	43,625	—	—
Setting up a shipyard in Hong Kong (<i>Note</i>)	22,000	—	—	22,000	2024
	<u>65,625</u>	<u>—</u>	<u>43,625</u>	<u>22,000</u>	

Note: Although the Group has endeavoured to adhere to the implementation plan for the use of proceeds as disclosed in the prospectus of the Company dated 4 March 2019 (the “**Prospectus**”) by submitting tenders to rent two parcels of lands for shipyard sites in late December 2018, the Group was not awarded any tenancy from the Government for the tendered parcel of land. The Group would continue to exploit opportunities to rent a suitable site for a shipyard. The Directors expect the remaining net proceeds will be fully utilised in 2024.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed this annual financial results announcement and the consolidated financial statements for the year ended 31 March 2023, including the accounting policies, principles and practices adopted by the Group, and discussed risk management and internal control system, and financial related matters.

The Audit Committee comprises three independent non-executive Directors and chaired by Ms. Hong Ting, who has appropriate professional qualifications and experience as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25 August 2023 to 30 August 2023, both days inclusive. During this period, no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 30 August 2023 are entitled to attend the forthcoming annual general meeting scheduled on 30 August 2023. In order to qualify for the right to vote for and/or attend the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 24 August 2023.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting. For determining the entitlement to the proposed final dividend, the register of members will be closed for one day on 6 September 2023, during that day no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 September 2023.

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This announcement will be published on the websites of the Stock Exchange and the Company.

The annual report of the Company for the year ended 31 March 2023 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 June 2023

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