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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

HIGHLIGHTS

- The net profit for the period attributable to owners of the Company has increased by 27.5%, from HK\$18,084,000 for the six months ended 30 September 2022 to HK\$23,064,000 for the six months ended 30 September 2023.
- Basic earnings per share for the six months ended 30 September 2023 was approximately HK2.31 cent. (2022: HK1.81 cent).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yun Lee Marine Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”) together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3	156,658	131,550
Cost of revenue		(109,993)	(86,560)
Gross profit		46,665	44,990
Other income	4	1,643	2,752
Impairment loss under expected credit loss (“ ECL ”) model, net of reversal		86	—
Gain on deemed disposal of equity interest of an associate	10	11,900	—
Administrative expenses		(30,325)	(21,180)
Finance costs	5	(729)	(50)
Share of results of associates		(105)	(1,661)
Profit before taxation		29,135	24,851
Income tax expenses	6	(2,616)	(3,853)
Profit and total comprehensive income for the period	7	26,519	20,998
Profit and total comprehensive income attributable to:			
– owners of the Company		23,064	18,084
– non-controlling interests		3,455	2,914
		26,519	20,998
Earnings per share - Basic (HK cent)	9	2.31	1.81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	Notes	At 30 September 2023 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 March 2023 <i>HK\$'000</i> <i>(audited)</i>
Non-current assets			
Property, plant and equipment		131,749	124,943
Right-of-use assets		14,035	3,997
Interests in associates		3,052	3,997
Other non-current asset		3,100	3,100
Goodwill	10	37,365	—
Rental deposits	11	671	238
Deposit for acquisition of additional equity interests in an associate		—	5,950
Deferred tax assets		3,341	1,272
		193,313	143,497
Current assets			
Trade and other receivables	11	82,677	50,890
Contract assets		39,427	—
Tax recoverable		845	2,249
Time deposits		46,672	75,702
Bank balances and cash		71,558	67,714
		241,179	196,555
Current liabilities			
Trade and other payables	12	45,659	32,195
Promissory note payable	13	12,148	—
Amounts due to associates		68	316
Amount due to non-controlling shareholders of subsidiaries		41,506	4,900
Bank and other borrowings		8,689	—
Lease liabilities		5,290	898
Tax payables		5,568	261
		118,928	38,570
Net current assets		122,251	157,985
Total assets less current liabilities		315,564	301,482

		At 30 September	At 31 March
	Note	2023	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Non-current liabilities			
Bank and other borrowings		384	—
Lease liabilities		8,452	3,117
Deferred tax liabilities		15,602	14,163
		<u>24,438</u>	<u>17,280</u>
Net assets		<u>291,126</u>	<u>284,202</u>
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		246,452	241,388
		<u>256,452</u>	<u>251,388</u>
Equity attributable to owners of the Company		256,452	251,388
Non-controlling interest		34,674	32,814
		<u>291,126</u>	<u>284,202</u>
Total equity		<u>291,126</u>	<u>284,202</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2023.

Application of amendments to HKFRS

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of HK\$798,000 and deferred tax liabilities of HK\$798,000 on a gross basis as at 30 September 2023 but it has no impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 March 2024.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 March 2024.

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 Tsz Kit Bondy (“**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 previously classified as (i) vessel chartering and related services; and (ii) ship management services. To cope with the Group’s recent business development in marine construction services, the information reported to the CODM regarding to marine construction services is newly added as an operating and reportable segment, resulting in changes to the presentation of the Group’s operating and reportable segments on the Group’s segment revenue and results. Figures in the segment information for and as at 30 September 2022 have been re-presented for comparative purposes.

- (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.
- (iii) Marine construction services: The Group provides marine construction and engineering services and mainly to contractors for marine construction projects in Hong Kong.

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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the six months ended 30 September 2023 (unaudited)

	Vessel chartering and related services <i>HK\$'000</i> <i>(unaudited)</i>	Ship management services <i>HK\$'000</i> <i>(unaudited)</i>	Marine construction services <i>HK\$'000</i> <i>(unaudited)</i>	Eliminations <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
SEGMENT REVENUE					
External revenue	77,189	13,113	66,356	—	156,658
Inter-segment revenue	6,283	—	—	(6,283)	—
Total	<u>83,472</u>	<u>13,113</u>	<u>66,356</u>	<u>(6,283)</u>	<u>156,658</u>
Segment profit	<u>30,047</u>	<u>6,875</u>	<u>9,578</u>	<u>165</u>	46,665
Share of results of associates					(105)
Other income					1,643
Gain on deemed disposal of equity interest of an associate					11,900
Impairment loss under ECL model, net of reversal					86
Administrative expenses					(30,325)
Finance costs					(729)
Profit before taxation					<u>29,135</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2022 (unaudited)

	Vessel chartering and related services <i>HK\$'000</i> <i>(unaudited)</i>	Ship management services <i>HK\$'000</i> <i>(unaudited)</i>	Marine construction services <i>HK\$'000</i> <i>(unaudited)</i>	Eliminations <i>HK\$'000</i> <i>(audited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
SEGMENT REVENUE					
External revenue	118,600	12,950	—	—	131,550
Inter-segment revenue	—	—	—	—	—
Total	<u>118,600</u>	<u>12,950</u>	<u>—</u>	<u>—</u>	<u>131,550</u>
Segment profit	<u>38,958</u>	<u>6,032</u>	<u>—</u>	<u>—</u>	44,990
Share of results of associates					(1,661)
Other income					2,752
Administrative expenses					(21,180)
Finance costs					<u>(50)</u>
Profit before taxation					<u>24,851</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, gain on deemed disposal of equity interest of an associate 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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major services

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.

(c) Marine construction services

The Group provides marine construction and engineering services mainly to contractors for marine construction projects in Hong Kong. The Group recognises the fee received or receivable as its revenue as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these marine construction services based on the value of marine construction work using output method.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Six months ended 30 September

	2023	2022
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Vessel chartering and related services	77,189	118,600
Ship management services	13,113	12,950
Marine construction services	66,356	—
	<u>156,658</u>	<u>131,550</u>

For contracts for vessel chartering and related services and ship management services, the Group bills for each period of service provided.

Payment of the transaction price is generally due within 30 to 90 days. All vessel chartering and related services and ship management services are for periods of less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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.

4. OTHER INCOME/OTHER GAINS AND LOSSES

Other income

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income from banks	1,097	43
Management fee income	180	180
Government subsidies (note)	—	2,321
Others	366	208
	<u>1,643</u>	<u>2,752</u>

Note: During the last interim period, the Group recognised HK\$2,321,000 government grants in respect of COVID-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

5. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on lease liabilities	245	50
Interest on bank and other borrowings	236	—
Interest on promissory note payable	248	—
	<u>729</u>	<u>50</u>

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Hong Kong Profits Tax		
– Current period	1,900	2,915
Deferred tax	716	938
	<u>2,616</u>	<u>3,853</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable 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%.

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period has been arrived at after charging:		
Staff costs, including directors' remuneration	51,947	40,035
Depreciation of property, plant and equipment	5,401	3,963
Depreciation on right-of-use assets	2,118	1,203

8. DIVIDEND

During the current interim period, a final dividend of HK1.8 cent in respect of the year ended 31 March 2023 (2022: HK2.0 cent) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$18,000,000 (2022: HK\$20,000,000).

The Directors do not recommend payment of interim dividend for both interim periods.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2023	2022
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for purpose of basic earnings per share (HK\$'000)	23,064	18,084
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	1,000,000	1,000,000

No diluted earnings per share is presented for both periods as there was no potential ordinary share in issue.

10. BUSINESS COMBINATION

Acquisition of Yun Lee (Tim Kee) Marine Construction Limited (“YLTK”) which constituted a major acquisition transaction

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 “**Acquisition**”). 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 was 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 interests in YLTK and was classified as an associate of the Group at 31 March 2023. On 2 May 2023 (the “**Date of acquisition**”), the Acquisition was completed and the Group holds 51% equity interest in YLTK and YLTK has become a non-wholly owned subsidiary of the Company. The Acquisition has been accounted for using the acquisition method. The Group has elected to measure the non-controlling interest in YLTK at the non-controlling interest’s proportionate share of YLTK’s identifiable net assets. The consolidated financial statements include the results of YLTK and its subsidiary (“**YLTK Group**”) since the acquisition date.

The Group has been actively seeking new business opportunities from time to time in order to diversify and expand its business while focusing on the continuous development of maritime related services and construction business. The Company’s development plan of its existing maritime services business includes establishing strong partnerships with other companies in the maritime-related services and construction industry to strengthen the Company business’s position in the market and conducting regular performance reviews to identify opportunities and areas for improvement.

10. BUSINESS COMBINATION (Continued)

Assets and liabilities of YLTK Group recognised at the Date of acquisition (determined on a provisional basis)

	<i>HK'000</i> <i>(unaudited)</i>
Plant and equipment	10,745
Right-of-use assets	6,154
Deferred tax assets	1,346
Debtors, deposits and prepayments	19,679
Amounts due from a related company	7,969
Loan to a non-controlling interest shareholder	3,070
Contract assets	39,893
Cash and cash equivalents	6,764
Trade and other payables	(44,567)
Amounts due to a related company	(65)
Amount due to non-controlling interest shareholder of a subsidiary	(30,541)
Amount due to a fellow subsidiary	(3,618)
Tax payables	(4,811)
Lease liabilities	(5,761)
Bank and other borrowings	(9,522)
	<hr/>
Total identifiable net liabilities at provisional fair value	(3,265)
Non-controlling interests	1,600
Fair value of previously held 17% equity interests of YLTK (note)	(11,900)
Goodwill arising on acquisition	37,365
	<hr/>
Total consideration	<u>23,800</u>

Note: On the Date of acquisition, the Directors have assessed that fair value of the 17% equity interests in YLTK to be measured at its proportionate share in the fair value of the consideration, resulting in gain on deemed disposal of HK\$11,900,000 for the current interim period. The carrying amount of interest in YLTK is nil at 31 March 2023.

10. BUSINESS COMBINATION (Continued)

Assets and liabilities of YLTK Group recognised at the Date of acquisition (determined on a provisional basis) (Continued)

	<i>HK'000</i> <i>(unaudited)</i>
<i>Analysis of cash flows on the Acquisition:</i>	
Cash acquired with the subsidiaries during the period	(6,764)
Cash paid during the period	<u>5,950</u>
Net cash inflow on the Acquisition during the period	(814)
Deposit for acquisition of additional equity interests in an associate previously paid	5,950
Promissory note payable issued (note 13)	<u>11,900</u>
Total net cash outflow on the Acquisition	17,036
Transaction cost of the Acquisition included in cash flows from operating activities	<u>907</u>
	<u><u>17,943</u></u>

The initial accounting for the above acquisition in the condensed consolidated financial statements has been determined provisionally as the Group is awaiting the final result of an independent valuation in relation to assets and liabilities acquired in the transaction. The valuation has not been completed by the date of the approval of the condensed consolidated financial statements. Accordingly, the amounts of identifiable net assets and goodwill as stated above may be subsequently adjusted.

None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

Goodwill which arose on the acquisition included a control premium. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of YLTK. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Transaction costs of the Acquisition have been expensed and are included in administrative expenses in condensed consolidated statement profit or loss and other comprehensive income and are part of operating cash flows in the condensed consolidated statement of cash flows of the Group.

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2023 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 March 2023 <i>HK\$'000</i> <i>(audited)</i>
Trade receivables - gross	73,139	46,686
Less: Allowance for credit loss	<u>(1,781)</u>	<u>(1,399)</u>
	71,358	45,287
Other receivables		
– Prepayments	8,392	2,614
– Deposits	1,688	8,226
– Rental deposits	828	941
– Others	4	10
Amount due from a related company	<u>1,078</u>	<u>—</u>
Sub-total	83,348	57,078
Less: Rental deposits shown under non-current assets	(671)	(238)
Deposit for acquisition of additional equity interests in an associate	<u>—</u>	<u>(5,950)</u>
Amounts shown under current assets	<u><u>82,677</u></u>	<u><u>50,890</u></u>

The Group allows credit periods of 30 to 90 days to its trade customers.

The ageing analysis of the Group's trade receivables net of allowance for credit loss based on the invoice dates at the end of the reporting period is as follows:

	At 30 September 2023 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 March 2023 <i>HK\$'000</i> <i>(audited)</i>
Within 30 days	30,783	14,924
31 to 60 days	11,849	14,180
61 to 90 days	8,864	8,430
91 to 120 days	7,192	3,104
Over 120 days	<u>12,670</u>	<u>4,649</u>
	<u><u>71,358</u></u>	<u><u>45,287</u></u>

12. TRADE AND OTHER PAYABLES

	At 30 September	At 31 March
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables	26,698	16,509
Accrued expenses	17,815	14,473
Deposits received	1,146	1,213
Total trade and other payables	<u>45,659</u>	<u>32,195</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 presented based on the invoice date at the end of the reporting period:

	At 30 September	At 31 March
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 30 days	12,627	7,150
31 – 60 days	4,437	4,296
61 – 90 days	1,813	1,578
91 – 120 days	525	1,414
Over 120 days	7,296	2,071
	<u>26,698</u>	<u>16,509</u>

13. PROMISSORY NOTE PAYABLE

On 2 May 2023, the Company issued a promissory note with the principal amount of HK\$11,900,000 as part of the the considerations for the Acquisition (Note 10). Under the agreement of the Acquisition relating to the promissory note, the promissory note is unsecured, carries interest at 5.0% per annum and is payable on the maturity date of 1 May 2024.

At 30 September 2023, the promissory note with the principal amount of HK\$11,900,000 (At 31 March 2023: nil) remained outstanding and the effective interest rate in respect of the promissory note is 5.0% per annum (At 31 March 2023: nil).

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>	Shown as <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<u>5,000,000,000</u>	<u>50,000,000</u>	<u>N/A</u>
Issued and fully paid			
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>10,000</u>

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial conditions, results of operations and the business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like "potential", "estimated", "expects", "anticipates", "objective", "intends", "plans", "believes", "estimates", and similar expressions or variations on such expressions may be considered "forward-looking statements".

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements pertain only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group's results of operations are described in the section headed "Management Discussion and Analysis" below.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Period. The Group is a maritime services provider in Hong Kong with over 20 years of operating history. The principal activities of the Group are provision of (i) vessel chartering and related services; (ii) ship management; and (iii) marine construction services 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 etc.. 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 Group's marine construction services include marine construction and engineering services provided mainly to constructors for marine construction projects in Hong Kong.

During the Period, 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, the Integrated Waste Management Facilities Phase 1 project in Shek Kwu Chau, and Hong Kong offshore LNG Terminal project.

BUSINESS PROSPECT

As there are numbers of high-profile development projects and infrastructure projects related to marine construction works initiated by the government of Hong Kong which reached their final stage in recent years, management of the Group expects the demand of the Group's vessel chartering and related services for these marine construction projects would diminish gradually. On the other hand, for marine construction services, the Acquisition allows the Group to capitalise on the majority of the duration and revenue of two-subcontract marine construction agreements (the “**Sub-contracts**”) with contract sum of approximately HK\$540 million, providing the Group with a long-term, stable and major customer until March 2027 which are expected to contribute to the Group's revenue in the future. The Group will continue to invest in its vessel fleet and identify other opportunities in order to capture such business opportunities.

Overall speaking, the revenue and profits from the Group's ship management and marine construction business are expected to remain stable going forward.

FINANCIAL REVIEW

Revenue

For the Period, the Group's total revenue recorded an increase of approximately 19.1% from HK\$131,550,000 for the corresponding period last year to HK\$156,658,000 for the Period, which was mainly attributed by a net effect of (i) the decreased revenue of vessel chartering and related services, such as procurement services, rendered to short term marine services projects; and (ii) the increased revenue of marine construction services contributed from YLTK Group after the Acquisition.

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 increased by approximately 27.1%, from HK\$86,560,000 for the corresponding period last year to HK\$109,993,000 for the Period, which was mainly represented by a net effect of (i) the decreased vessel chartering expenses payable to third-party vessel suppliers and other costs related to services rendered to short term marine services projects; and (ii) the increased construction and engineering costs of the marine construction projects contributed by YLTK Group after the Acquisition during the Period.

Gross profit and gross profit margins

The Group's gross profit increased by approximately 3.7%, from HK\$44,990,000 for the corresponding period last year to HK\$46,665,000 for the Period. Meanwhile, the Group's gross profit margin decreased by approximately 4.4 percentage point from approximately 34.2% for the corresponding period last year to approximately 29.8% for the Period, which was mainly due to combined effect of (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) the lower gross profit margin of approximately 14.4% contributed by marine construction services segment after the Acquisition as a result of more upfront costs incurred during the earlier stage of the Sub-contracts during the Period.

Other income

The Group's other income decreased from HK\$2,752,000 for the corresponding period last year to HK\$1,643,000 for the Period mainly due to a net effect of (i) absence of one-off COVID-19 related subsidies; and (ii) increased bank interest income earned from the time deposits during the Period.

During the last interim period, the Group recognised government grants of HK\$2,321,000 in respect of COVID-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

Administrative expenses

The Group's administrative expenses increased by approximately 43.2%, from HK\$21,180,000 for the corresponding period last year to HK\$30,325,000 for the Period, which was mainly attributable by a combined effect of (i) the increase in the staff costs and the business development expenses; and (ii) the increase in administrative expenses from YLTK Group after the Acquisition during the Period.

Finance cost

The Group's finance costs increased from HK\$50,000 for the corresponding period last year to HK\$729,000 for the Period, which was attributable by a combined effect of (i) the recognition of interest expenses from the new leases on lease liabilities; (ii) increased interest expenses of bank and other borrowings contributed by YLTK Group after the Acquisition and; (iii) increased interest expenses of the promissory note payable issued for the Acquisition.

Share of results of associates

The Group recorded share of losses of associates of HK\$105,000 for the Period (six months ended 30 September 2022: share of losses of HK\$1,661,000).

The share of losses from associates mainly represented by share of losses from Eastlink Marine Services Limited during the Period.

Income tax expenses

For the Period, the Group's income tax expenses were HK\$2,616,000 (six months ended 30 September 2022: HK\$3,853,000), and the effective tax rate was approximately 9.0% (six months ended 30 September 2022: approximately 15.5%). The change in effective tax rate was mainly represented by the non-deductibility of share of losses of associates, gain on deemed disposal of equity interest of an associate and the recognition of deferred tax assets arising from property, plant and equipment.

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the Group's profit for the Period attributable to owners of the Company increased by approximately 27.5%, from HK\$18,084,000 for the corresponding period last year to HK\$23,064,000 for the Period. Basic earnings per share attributable to owners of the Company increased from approximately HK1.81 cent for corresponding period last year to approximately HK2.31 cent for the Period.

Dividend

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 September 2022: nil).

Trade and other receivables

The Group's trade and other receivables increased from HK\$57,078,000 as at 31 March 2023 to HK\$83,348,000 as at 30 September 2023.

The Group's average trade receivables turnover days recorded a decrease from approximately 133.0 days for the year ended 31 March 2023 to approximately 67.9 days for the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had net current assets of HK\$122,251,000 as at 30 September 2023 (at 31 March 2023: HK\$157,985,000). The Group's current ratio remained stable and recorded a decrease from approximately 5.1 as at 31 March 2023 to approximately 2.0 as at 30 September 2023.

Gearing ratio is calculated based on the total interest bearing borrowings divided by total equity and multiplied by 100% at the respective reporting date. As at 30 September 2023, the Group's gearing ratio was 7.3% (at 31 March 2023: Nil).

Following the Listing, the Group's operations were mainly financed by its internal resources including but not limited to existing bank balances and cash, 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 14 to this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 13 January 2023, the Group entered into a sale and purchase agreement to acquire additional 34% of equity interests from two shareholders of YLTK at a total consideration of HK\$23,800,000. The Group was 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 was settled by promissory note (note 13). The promissory note carries 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 guaranteed 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. On 2 May 2023, the Acquisition was completed and the Group holds 51% equity interest in YLTK and YLTK has become a non-wholly owned subsidiary of the Company.

Save as disclosed elsewhere in this announcement, the Group did not conduct any significant investment, material acquisition and disposal of subsidiaries during the Period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

COMMITMENTS

As at 30 September 2023, the Group had no significant capital commitments (31 March 2023: Nil).

PLEDGE OF ASSETS

At 30 September 2023, bank and other borrowings and lease liabilities HK\$6,613,000 are secured by mortgages over the equipment with an aggregate carrying value of HK\$7,699,000.

Save as disclosed elsewhere in this announcement, the Group had no other material pledge of assets as at 30 September 2023.

EVENTS AFTER REPORTING PERIOD

Save as disclosed elsewhere in this announcement, there have been no significant events affecting the Company nor any of its subsidiaries after the end of the financial period and up to the date of this announcement requiring disclosure in this announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

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 30 September 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 30 September 2023, the Group's planned application and actual utilisation of the net proceeds is set out below:

	Planned use of net proceeds <i>HK\$'000</i>	Utilisation of net proceeds during the Period <i>HK\$</i>	Utilised net proceeds as at 30 September 2023 <i>HK\$'000</i>	Remaining balance of the net proceeds as at 30 September 2023 <i>HK\$'000</i>	Expected timetable of full utilisation of the balance
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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 during the Period, 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, 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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code throughout the Period.

REVIEW BY 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 management of the Group and reviewed this interim results announcement and the condensed consolidated financial statements for the Period, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the Period and up to the date of this announcement.

CHANGES IN THE INFORMATION OF DIRECTORS

The Company is not aware of any changes in Directors’ information subsequent to the date of annual report for the year ended 31 March 2023 and up to the date of this announcement, as required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.yunlee.com.hk/>). The interim report containing all the information required by the Listing Rules will be 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

Hong Kong, 28 November 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. Ng Simon.