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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 2019

HIGHLIGHTS

- The shares of the Company had successfully listed on the Main Board of the Stock Exchange since 18 March 2019.

- The net profit for the year attributable to owners of the Company has decreased by 63.7%, from approximately HK$32,398,000 for the year ended 31 March 2018 to approximately HK$11,753,000 for the year ended 31 March 2019. If the non-recurring Listing expenses were excluded, the adjusted net profit for the year attributable to the owners of the Company would have decreased by 27.4%, from approximately HK$36,284,000 for the year ended 31 March 2018 to approximately HK$26,349,000 for the year ended 31 March 2019.

- Basic earnings per share for the year ended 31 March 2019 was approximately HK1.43 cents. (2018: HK3.99 cents)

- The Board does not recommend the payment of final dividend for the year ended 31 March 2019

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

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 2019, 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 2019

	NOTES	**2019**	2018
		HK$'000	*HK$'000*
Revenue	3	**181,010**	213,048
Cost of revenue		**(126,855)**	(152,070)
Gross profit		**54,155**	60,978
Other income	4	**2,308**	1,337
Other gains and losses	5	**15**	3,920
Administrative expenses		**(25,901)**	(19,813)
Finance costs	6	**(7)**	(50)
Share of results of associates		**856**	1,563
Listing expenses		**(14,596)**	(3,886)
Profit before taxation		**16,830**	44,049
Income tax expenses	7	**(5,077)**	(7,880)
Profit and total comprehensive income for the year	8	**11,753**	36,169
Profit and total comprehensive income for the year attributable to:			
– owners of the Company		**11,753**	32,398
– non-controlling interests		**—**	3,771
		11,753	36,169
Earnings per share – Basic (HK cents)	10	**1.43**	3.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	**2019**	2018
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**27,350**	24,852
Interests in associates		**4,665**	3,809
Rental deposits		**365**	—
		32,380	28,661
Current assets			
Trade and other receivables	11	**56,049**	42,080
Tax recoverable		**3,085**	—
Amount due from an associate		**—**	3,443
Time deposits		**—**	1,131
Bank balances and cash		**116,983**	38,613
		176,117	85,267
Current liabilities			
Trade and other payables	12	**25,900**	34,438
Amount due to an associate		**469**	388
Tax payables		**396**	6,187
Bank borrowings		**—**	608
		26,765	41,621
Net current assets		**149,352**	43,646
Total assets less current liabilities		**181,732**	72,307
Non-current liability			
Deferred tax liabilities		**3,878**	3,564
Net assets		**177,854**	68,743
Capital and reserves			
Share capital	13	**10,000**	78
Reserves		**167,854**	68,665
Total equity		**177,854**	68,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

Group reorganisation and basis of preparation and presentation of consolidated financial statements

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 Services Limited ("**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 British Virgin Islands with limited liability on 16 November 2017, acquired the followings:

- 40% of the issued share capital of Eastlink Marine Services Limited ("**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 statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the year ended 31 March 2018, has 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 year ended 31 March 2018, or since their respective dates of incorporation, where it is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2018, has 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 66.67%, 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.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 March 2019, 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 year ended 31 March 2019 except that the Group adopted HKFRS 9 *Financial Instruments* on 1 April 2018 and HKAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 March 2018. The accounting policies for financial instruments under HKAS 39 and HKFRS 9 are set out below.

HKFRS 9 Financial Instruments and the related amendments

In the current year, 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 under ECL model) 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.

(a) 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.

(b) 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.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

3. REVENUE AND SEGMENT INFORMATION

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 2019

	Vessel chartering and related services HK$'000	Ship management services HK$'000	Total HK$'000
SEGMENT REVENUE			
External revenue	**155,954**	**25,056**	**181,010**
Segment profit	**42,806**	**11,349**	**54,155**
Share of results of associates			**856**
Other income			**2,308**
Other gains and losses			**15**
Administrative expenses			**(25,901)**
Finance costs			**(7)**
Listing expenses			**(14,596)**
Profit before taxation			**16,830**

Year ended 31 March 2018

	Vessel chartering and related services HK$'000	Ship management services HK$'000	Total 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

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

	2019	2018
	HK$'000	HK$'000
Interest income from banks	**46**	85
Insurance claim	**—**	266
Management fee income	**920**	602
Vessel sourcing income	**910**	—
Others	**432**	384
	2,308	1,337

5. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
Gain on sales of a modified vessel (Note)	**—**	3,912
Gain on disposal of property, plant and equipment	**15**	8
	15	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.

6. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank borrowings	**7**	50

7. INCOME TAX EXPENSES

	2019	2018
	HK$'000	HK$'000
Hong Kong Profit Tax		
– current year	**4,769**	7,722
– (over) underprovision in prior years	**(6)**	197
Deferred tax		
Current year	**314**	(39)
	5,077	7,880

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 current year, 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 year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	HK$'000
Profit before taxation	**16,830**	44,049
Tax at Hong Kong Profits Tax rate of 16.5%	**2,777**	7,268
Tax effect of share of results of associates	**(141)**	(258)
Tax effect of income not taxable for tax purposes	**(19)**	(15)
Tax effect of expenses not deductible for tax purposes	**2,711**	748
(Over) underprovision in prior years	**(6)**	197
One-off tax deduction of profit tax by Inland Revenue Department	**(80)**	(60)
Tax effect of two-tiered Profit Tax rate regime	**(165)**	—
Income tax expenses	**5,077**	7,880

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2019	2018
	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	**38,716**	38,939
– Retirement benefit scheme contributions	**1,233**	1,349
Total staff costs	**39,949**	40,288
Depreciation of property, plant and equipment	**2,400**	2,260
Minimum operating lease rentals in respect of rented premises	**2,017**	1,469
Auditor's remuneration	**1,800**	73

9. 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:

	2018
	HK$'000
KMY Marine	500
Yun Lee Tug Boat	2,000
MKK Marine	7,500
Yun Lee Marine	12,100
	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.

The directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2019.

10. EARNINGS PER SHARE

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

	2019	2018
Earnings:		
Profit for the year attributable to owners of the Company for purpose of basic earnings per share (HK$'000)	**11,753**	32,398
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**819,692**	812,500

The number of ordinary shares for the purpose of calculation of basic earnings per share for the years ended 31 March 2019 and 2018 are based on the assumption that the shares issued pursuant to the Reorganisation as set out in Note 1 and the capitalisation issue as set out in Note 13 (iv) had been completed on 1 April 2017.

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

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables	**47,531**	39,453
Other receivables		
– Prepayments (Note)	**5,280**	1,207
– Deposits	**2,393**	296
– Deferred issue costs	**—**	1,124
– Others	**845**	—
Total trade and other receivables	**56,049**	42,080

Note: As at 31 March 2019, the Group's prepayments comprised an amount of approximately HK$4,500,000 (2018: nil) prepaid to an independent third party for the future usage of a yacht.

At 31 March 2019 and 1 April 2018, trade receivables form contracts with customers amounted to HK$47,531,000 and HK$39,453,000, 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 the reporting period:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**16,122**	15,540
31 to 60 days	**14,093**	15,424
61 to 90 days	**11,563**	5,614
91 to 120 days	**2,230**	1,187
Over 120 days	**3,523**	1,688
	47,531	39,453

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$26,955,000 which are past due as at the reporting date. Out of the past due balances, HK$3,523,000 has been past due 90 days or more and is not considered as in default based on good repayment records for these customers and continuous business with the Group. The Group does not hold any collateral over these balances.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$20,382,000 as at 31 March 2018, 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

	2018
	HK$'000
Overdue by:	
0-30 days	15,265
31 - 60 days	3,115
61 - 90 days	830
Over 90 days	1,172
Total	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 assessment is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables	**15,387**	16,800
Accrued expenses	**7,866**	4,781
Deposits received	**386**	302
Other payables (Note)	**2,261**	12,555
Total trade and other payables	**25,900**	34,438

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.

As at 18 March 2019, the assignment was fully discharged upon completion of the Listing and such advance would be payable to Kitling (BVI). Immediately after the discharge of the assignment, Kitling (BVI) waived such advance which is accounted for as a deemed contribution to the Group in the capital reserve.

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

	2019	2018
	HK$'000	HK$'000
Within 30 days	7,145	7,940
31 to 60 days	5,871	6,068
61 to 90 days	1,306	2,281
91 to 120 days	484	511
Over 120 days	581	—
	15,387	16,800

13. 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 2017 represented the aggregate share capital of the Entities comprising the Group attributable to the Controlling Shareholders prior to the completion of the Reorganisation.

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 31 March 2019 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.

Share capital

	Number of shares	Amount	Shown 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	N/A
Increase in authorised share capital of HK$0.01 each (note i)	4,995,000,000	49,950,000	N/A
At 31 March 2019	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	—*
Capitalisation issue (note iv)	812,480,000	8,124,800	8,125
Issue of new shares in placing (note v)	187,500,000	1,875,000	1,875
At 31 March 2019	1,000,000,000	10,000,000	10,000

* 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.

(iv) On 15 March 2019, the Company capitalised an amount of 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 and allotted and issued 50,000,000 shares at par with an aggregate amount of HK$500,000, credited as fully paid, to Novel Choice upon the exercise of the exchangeable note to Novel Choice as detailed in Note 12.

(v) On 18 March 2019, the shares of the Company were listed on the Stock Exchange. 187,500,000 ordinary shares at an offer price of HK$0.50 were issued through share offer with gross proceeds of HK$93,750,000.

The new shares issued rank pari passu with the existing shares in all aspects.

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) 21 self-owned vessels and (ii) vessels chartered from third-party vessel suppliers from time to time.

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 Hong Kong-Zhuhai-Macao Bridge project ("**HZMB Project**"), 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**"), and Tung Chung New Town Extension project ("**Tung Chung Project**").

The shares of the Company had successfully listed on the Main Board of the Stock Exchange on 18 March 2019 ("**Listing Date**"). With a widening financing platform, the Group can have more financing channels to raise funds to fulfil capital needs. The Listing also enhances the Group's market position and further strengthens the Group's reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

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 15.0%, from approximately HK$213,048,000 for the year ended 31 March 2018 to approximately HK$181,010,000 for the year ended 31 March 2019. Such decrease was mainly attributable to the decrease in the revenue of the Group's vessel chartering and related services by approximately 17.0%, from approximately HK$187,792,000 for the year ended 31 March 2018 to approximately HK$155,954,000 for the year ended 31 March 2019, which was mainly due to (i) the significant decrease in revenue derived from the Group's time charter services provided to the construction contractors of the HZMB Project due to the fact that this project had been substantially completed during the third quarter of 2018; and (ii) due to the delay in the work progress of other major marine construction projects such as IWMF Project and Tung Chung Project, the number of the Group's vessels chartered to these projects increased moderately only since the third quarter of 2018.

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 16.6%, from approximately HK$152,070,000 for the year ended 31 March 2018 to approximately HK$126,855,000 for the year ended 31 March 2019. The decrease of the Group's cost of revenue was in line with the decrease in the Group's revenue of approximately 15.0% for the year ended 31 March 2019.

Gross profit and gross profit margins

The Group's gross profit shrank by approximately 11.2%, from approximately HK$60,978,000 for the year ended 31 March 2018 to approximately HK$54,155,000 for the year ended 31 March 2019, which was mainly due to the decline in the revenue of vessel chartering and related services during the year. Meanwhile, the Group's gross profit margin increased by approximately 1.3 percentage point from approximately 28.6% for the year ended 31 March 2018 to approximately 29.9% for the year ended 31 March 2019, which was mainly due to the aforesaid decrease in the revenue derived from time charter services provided to support the HZMB Project during the year as the overall gross profit margin attributable to this project was relatively lower than that of other marine construction projects such as the 3RS Project.

Other income

The Group's other income increased by approximately 72.6%, from approximately HK$1,337,000 for the year ended 31 March 2018 to approximately HK$2,308,000 for the year ended 31 March 2019. Such increase was mainly due to the recognition of a service income of approximately HK$910,000 related to vessel sourcing services during the year ended 31 March 2019, which was non-recurring in nature.

Other gains and losses

The Group's other gains decreased by approximately 99.6%, from approximately HK$3,920,000 for in the year ended 31 March 2018 to approximately HK$15,000 for the year ended 31 March 2019. Such decrease was mainly due to the recognition of non-recurring gains on sales of a modified vessel of approximately HK$3.9 million for the year ended 31 March 2018.

Administrative expenses

The Group's administrative expenses increased by approximately 30.7%, from approximately HK$19,813,000 for the year ended 31 March 2018 to approximately HK$25,901,000 for the year ended 31 March 2019, which was mainly due to the increase in the administrative expenses, including the donation made to the Community Chest and the professional fee after the Listing, including auditor's remuneration and share registration fee.

Finance costs

The Group's finance costs decreased by approximately 86.0%, from approximately HK$50,000 for the year ended 31 March 2018 to approximately HK$7,000 for the year ended 31 March 2019, which was mainly due to the decrease in average bank borrowings during the year ended 31 March 2019.

Share of results of associates

The Group's share of results of associates was decreased by approximately 45.2% from approximately HK$1,563,000 for the year ended 31 March 2018 to approximately HK$856,000 for the year ended 31 March 2019. Such decrease was mainly due to the decrease in the share of results of associates contributed by Scenic Shipping.

Listing expenses

Listing expenses represented professional fees incurred in connection with the Listing being recognised in the consolidated statement of profit or loss. Listing expenses recongised for the years ended 31 March 2018 and 2019 were approximately HK$3,886,000 and approximately HK$14,596,000, respectively.

Income tax expenses

For the year ended 31 March 2019, the Group's income tax expenses were approximately HK$5,077,000 (2018: approximately HK$7,880,000), and the effective tax rate (excluding the non-recurring Listing expenses) was approximately 16.2% (2018: approximately 16.4%).

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 63.7%, from approximately HK$32,398,000 for the year ended 31 March 2018 to approximately HK$11,753,000 for the year ended 31 March 2019. If the non-recurring Listing expenses were excluded the adjusted net profit for the year attributable to owners of the Company would have decreased by 27.4%, from approximately HK$36,284,000 for the year ended 31 March 2018 to approximately HK$26,349,000 for the year ended 31 March 2019. Basic earnings per share attributable to owners of the Company decreased from approximately HK3.99 cents for the year ended 31 March 2018 to approximately HK1.43 cents for the year ended 31 March 2019.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

Trade and other receivables

The Group's trade and other receivables increased by approximately 33.2%, from approximately HK$42,080,000 as at 31 March 2018 to approximately HK$56,049,000 as at 31 March 2019, which was mainly due to the increase in the Group's trade receivables as at 31 March 2019 as a result of the increase in the Group's revenue during the first quarter of 2019 as compared to that for the corresponding period.

The Group's trade receivables turnover days increased from approximately 76.0 days for the year ended 31 March 2018 to approximately 87.7 days for the year ended 31 March 2019, which was primarily due to the aforesaid higher trade receivables recorded as at 31 March 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had net current assets of approximately HK$149,352,000 as at 31 March 2019 (2018: approximately HK$43,646,000). The Group's current ratio increased from approximately 2.0 as at 31 March 2018 to approximately 6.6 as at 31 March 2019, such increase was mainly as a result of the cash flow from the net proceeds generated from the Listing during the year ended 31 March 2019.

Gearing ratio is calculated based on the total debts (including bank borrowings and amount due to Novel Choice) divided by total equity at the respective reporting date. As at 31 March 2019, the Group's gearing ratio was nil (2018: approximately 19.1%), as the Group's bank borrowings had been fully repaid and the amount due to Novel Choice had been fully discharged during the year ended 31 March 2019.

Following the Listing, the Group's operations were mainly financed by 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 and bank borrowings. 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 13 to this announcement.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of approximately HK$4,898,000 during the year ended 31 March 2019 (2018: approximately HK$514,000), mainly represented the addition of a vessel.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had no significant capital commitments (2018: nil).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investment during the year ended 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2019, apart from the Reorganisation as set out in note 1 to this announcement, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: nil).

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2019 and up to the date of this announcement.

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 2019, 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 2019, 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 shares of the Company was successfully listed on the Main Board of the Stock Exchange on 18 March 2018. Net proceeds from the Listing (after deducting underwriting fee and relevant costs payable by the Group in connection with the Listing) amounted to approximately HK$66.3 million. As at 31 March 2019, nil of the net proceeds had been used by the Group and the unutilised amount will be used for the intended purposes as set out in the section headed "Future plans and use of proceeds" of the Company's prospectus dated 4 March 2019.

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 2019, 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 Mr. Wu Tai Cheung, who has appropriate professional qualifications and experience as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND 2019 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 2019 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, 26 June 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wen Tsz Kit Bondy and Ms. Chan Sau Ling Amy, and three independent non-executive Directors, namely Mr. Liu Hon Por Francis, Mr. Wu Tai Cheung and Mr. Fu Bradley.