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 2019

HIGHLIGHTS

- The shares of the Company had successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 March 2019.
- The net profit for the period attributable to owners of the Company has decreased by 5.8%, from approximately HK$9,350,000 for the six months ended 30 September 2018 to approximately HK$8,805,000 for the six months ended 30 September 2019.
- Basic earnings per share for the six months ended 30 September 2019 was approximately HK0.88 cents. (2018: HK1.15 cents)
- The Board does not recommend the payment of interim dividend for the six ended 30 September 2019.

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 2019 (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 2019

	Notes	**Six months ended 30 September**	
		2019	2018
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	3	**100,225**	91,540
Cost of revenue		**(72,709)**	(60,777)
Gross profit		**27,516**	30,763
Other income	4	**1,053**	769
Other gains and losses	4	**210**	—
Administrative expenses		**(19,590)**	(10,980)
Finance costs	5	**(51)**	(7)
Share of results of associates		**1,569**	415
Listing expenses		**—**	(8,244)
Profit before taxation		**10,707**	12,716
Income tax expenses	6	**(1,374)**	(3,366)
Profit and total comprehensive income for the period	7	**9,333**	9,350
Profit and total comprehensive income attributable to:			
– owners of the Company		**8,805**	9,350
– non-controlling interests		**528**	—
		9,333	9,350
Earnings per share - Basic (HK cent)	9	**0.88**	1.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	At 30 September 2019 HK$'000 (unaudited)	At 31 March 2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**57,989**	27,350
Interests in associates		**6,234**	4,665
Deposit for acquisition of property, plant and equipment		**7,791**	—
Rental deposits		**309**	365
Right-of-use assets		**2,019**	—
Deferred tax assets		**1,351**	—
		75,693	32,380
Current assets			
Trade and other receivables	10	**60,884**	56,049
Tax recoverable		**1,412**	3,085
Amount due from an associate		**3,120**	—
Bank balances and cash		**106,501**	116,983
		171,917	176,117
Current liabilities			
Trade and other payables	11	**16,705**	25,900
Amounts due to associates		**2,760**	469
Lease liabilities		**1,506**	—
Tax payables		**1,378**	396
		22,349	26,765
Net current assets		**149,568**	149,352
Total assets less current liabilities		**225,261**	181,732

	Note	At 30 September 2019 *HK$'000* *(unaudited)*	At 31 March 2019 *HK$'000* *(audited)*
Non-current liabilities			
Deferred tax liabilities		**4,297**	3,878
Lease liabilities		**509**	—
		4,806	3,878
		220,455	177,854
Capital and reserves			
Share capital	12	**10,000**	10,000
Reserves		**176,659**	167,854
Equity attributable to owners of the Company		**186,659**	177,854
Non-controlling interest		**33,796**	—
Total equity		**220,455**	177,854

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION AND GROUP REORGANISATION

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.

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

The companies now comprising the Group underwent a series of reorganisation as detailed in the annual report of the Company for the year ended 31 March 2019 ("**Reorganisation**") and the Company became the holding company of the companies now comprising the Group on 14 September 2018. The entities under the Reorganisation 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 condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies comprising the Group for the period ended 30 September 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 had been in existence throughout the period ended 30 September 2018, or since their respective dates of incorporation, where this is a shorter period.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies as detailed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 March 2019.

(i) Accounting policy became applicable in this interim period

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(ii) Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position 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 of application of HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at the inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of vessels that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the condensed consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group has applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs for measurement of the right-of-use assets at the date of initial application; and

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. The Group has recognised lease liabilities of HK$3,049,000 and right-of-use assets of HK$3,049,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rate of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 3.25% per annum.

	At 1 April 2019 *HK$'000*
Operating lease commitments at 31 March 2019	**3,270**
Lease liabilities at 1 April 2019 discount at relevant incremental borrowing rates	**3,049**
Analysed as	
Current	**1,991**
Non-current	**1,058**
	3,049

The carrying amount of right-of-use assets at 1 April 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**3,049**
By class of underlying assets:	
Leasehold building	**3,013**
Carpark	**36**
	3,049

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 16 at 1 April 2019 *HK$'000*
Non-current Assets			
Right-of-use assets	—	3,049	3,049
Current Liabilities			
Lease liabilities	—	1,991	1,991
Non-current liabilities			
Lease liabilities	—	1,058	1,058

Note: For the purpose of reporting cash flows under the indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on the opening statement of financial position at 1 April 2019 disclosed above.

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 classified as (i) Vessel chartering and related services and (ii) Ship management services. The details of the Group's operating segments are as follows:

(i)	Vessel chartering and related services:	The Group provides vessel chartering services mainly to contractors for construction projects in Hong Kong, including time chartering representing the hiring of vessel and crew for a specific period of time and voyage chartering representing the hiring of vessel and crew for a specific voyage between two designated locations.
(ii)	Ship management services:	The Group provides ship management services for two vessels which transport the dewatered sludge from Stonecutter Island and other designated sites to the sludge treatment facilities located at Nim Wan, Tuen Mun. The Group is responsible for the provision of crew members for daily operation and the repair and maintenance services.

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

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

For the six months ended 30 September 2019 (unaudited)

	Vessel chartering and related services	**Ship management services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
SEGMENT REVENUE			
External revenue	87,644	12,581	100,225
Segment profit	21,105	6,411	27,516
Share of result of associates			1,569
Other income			1,053
Other gain and losses			210
Administrative expenses			(19,590)
Finance cost			(51)
Profit before taxation			10,707

For the six months ended 30 September 2018 (unaudited)

	Vessel chartering and related services	Ship management services	Total
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External revenue	78,759	12,781	91,540
Segment profit	24,483	6,280	30,763
Share of result of associates			415
Other income			769
Administrative expenses			(10,980)
Finance costs			(7)
Listing expenses			(8,244)
Profit before taxation			12,716

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit before taxation earned by each segment without allocation of share of results of associates, other income, other gains and losses, administrative expenses, finance costs and listing expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Except as disclosed above, no other amounts are regularly provided to the CODM of the Group and therefore, no further analysis is presented.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resource allocation and performance assessment.

Revenue from major services

The 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.

Six months ended 30 September

	2019	2018
	HK$'000	*HK$'000*
Vessel chartering and related services	**87,644**	78,759
Ship management services	**12,581**	12,781
	100,225	91,540

For contracts for vessel chartering and related services and ship management services, the Group bills for each period of service provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice.

Payment of the transaction price is generally due within 30 to 60 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	
	2019	2018
	HK$'000	*HK$'000*
Interest income from banks	**528**	36
Management fee income	**216**	399
Others	**309**	334
	1,053	769

Other gain and losses

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Net exchange gain	**122**	—
Gain on disposal of property, plant and equipment	**88**	—
	210	—

5. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**—**	7
Interest on lease liabilities	**51**	—
	51	7

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profit Tax		
– Current period	**2,306**	3,412
Deferred tax	**(932)**	(46)
	1,374	3,366

On 21 March 2018, the Hong Kong Legislative Council passes 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 qualifying corporations 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%.

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Profit and total comprehensive income for the period has been arrived at after charging:		
Staff costs, including directors' remuneration	**29,622**	17,906
Depreciation of property, plant and equipment	**1,626**	1,144
Depreciation on right-of-use assets	**1,030**	—
Minimum operating lease rentals in respect of rented premises	**—**	978
Auditor's remuneration	**480**	37

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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:

	At 30 September 2019	At 30 September 2018
Earnings:		
Profit for the period attributable to owners of the Company for purpose of basic earnings per share (HK$'000)	**8,805**	9,350
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**1,000,000**	812,500

The number of ordinary shares for the purpose of calculation of basic earnings per share for the period ended 30 September 2018 is 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 12(iv) had been completed on 1 April 2018.

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

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2019 *HK$'000*	At 31 March 2019 *HK$'000*
Trade receivables	**48,810**	47,531
Other receivables		
– Prepayments	**10,005**	5,280
– Deposits	**2,067**	2,393
– Others	**2**	845
Total trade and other receivables	**60,884**	56,049

The Group allows a credit periods of 30 to 60 days to its trade customers.

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

	At 30 September 2019 *HK$'000*	At 31 March 2019 *HK$'000*
Within 30 days	**16,117**	16,122
31 to 60 days	**15,212**	14,093
61 to 90 days	**11,672**	11,563
91 to 120 days	**4,632**	2,230
Over 120 days	**1,177**	3,523
	48,810	47,531

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019. No additional impairment allowance was provided during the current period.

11. TRADE AND OTHER PAYABLES

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
Trade payables	**11,337**	15,387
Accruals	**4,103**	7,866
Deposits received	**511**	386
Other payables	**754**	2,261
	16,705	25,900

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 2019	At 31 March 2019
	HK$'000	*HK$'000*
Within 30 days	**5,897**	7,145
31 – 60 days	**4,670**	5,871
61 – 90 days	**544**	1,306
91 – 120 days	**226**	484
Over 120 days	**—**	581
	11,337	15,387

12. SHARE CAPITAL

	Number of shares	Amount	Shown as
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised			
At 1 April 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 30 September 2018, 1 April 2019 and 30 September 2019	5,000,000,000	50,000,000	N/A
Issued and fully paid			
At 1 April 2018 (note ii)	10,000	100	—*
Issue of shares (note iii)	10,000	100	—*
At 30 September 2018	20,000	200	—*
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 1 April 2019 and 30 September 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) The balance of share capital of the Group as at 1 April 2018 represented the share capital of Yun Lee Marine Holdings (BVI) Limited ("**Yun Lee (BVI)**") and the Company.

(iii) On 14 September 2018, in consideration of the transfer of the entire issued share capital of Yun Lee Marine Holdings (BVI) Limited from Kitling Investment (BVI) Limited ("**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 Ventures Limited ("**Novel Choice**") upon the exercise of the exchangeable note to Novel Choice.

(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.

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 six months ended 30 September 2019. 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) 32 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 Three-Runway System project in the Hong Kong International Airport, the Integrated Waste Management Facilities Phase 1 project in Shek Kwu Chau, and Tung Chung New Town Extension project.

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

In August 2019, the Group has completed subscription of 51% in New Legend Ferry Services Limited ("**New Legend**") at a subscription price of HK$34.5 million. New Legend is a company incorporated with limited liability in Hong Kong and is principally engaged in vessels operation in Hong Kong. New Legend owned (i) nine used launches with the carrying capacities ranged from 45 persons to 92 persons; and (ii) four new launches which are under construction and are expected to be ready for operation in the first quarter of 2020. Upon completion, New Legend has became a subsidiary of the Group. The subscription price was settled in full upon completion and was financed by a portion of the net proceeds generated from the Listing.

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 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

For the six months ended 30 September 2019, the Group's total revenue increased by approximately 9.5%, from approximately HK$91,540,000 for the corresponding period last year to approximately HK$100,225,000 for the Period, which mainly attributable to (i) increase in revenue of vessel chartering and related services rendered to several marine infrastructure projects in Hong Kong, mainly the Tung Chung Project; and (ii) partially offset by the completion of the Hong Kong-Zhuhai-Macao Bridge project during 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 increased by approximately 19.6%, from approximately HK$60,777,000 for the corresponding period last year to approximately HK$72,709,000 for the Period, which was mainly attributable to the increased staff costs due to the increased number of crew members and the general increase in the wage level.

Gross profit and gross profit margins

The Group's gross profit decreased by approximately 10.6%, from approximately HK$30,763,000 for the corresponding period last year to approximately HK$27,516,000 for the Period. Meanwhile, the Group's gross profit margin decreased by approximately 6.1 percentage point from approximately 33.6% for the corresponding period last year to approximately 27.5% for the Period, which was mainly due to the aforesaid increase in the staff costs.

Other income

The Group's other income increased by around 36.9%, from approximately HK$769,000 for the corresponding period last year to approximately HK$1,053,000 for the Period, which was mainly due to the increase in bank interest income.

Other gains and losses

The Group's recorded other gains of approximately HK$210,000 for the Period (six months ended 30 September 2018: nil). Such other gains mainly represented by the non-recurring gains on sales of motor vehicles and the net exchange gain during the Period.

Administrative expenses

The Group's administrative expenses increased by approximately 78.4%, from approximately HK$10,980,000 for the corresponding period last year to approximately HK$19,590,000 Period the Period, which was mainly attributable by the increase in the Directors' remuneration during the Period and the increase in the professional fees and the public relations expenses incurred after the Listing.

Finance cost

The Group's finance costs increased from approximately HK$7,000 for the corresponging period last year to approximately HK$51,000 for the Period, which was mainly attributable to the recognition of interest on lease liabilities amounting to HK$51,000 upon the first time adoption of HKFRS 16 during the Period.

Share of results of associates

The Group's share of results of associates was increased by approximately 278.1% from approximately HK$415,000 for the corresponging period last year to approximately HK$1,569,000 for the Period. Such increase was mainly due to the increase in the share of results of associates contributed by Eastlink Marine Services Limited.

Income tax expenses

For the six months ended 30 September 2019, the Group's income tax expenses were approximately HK$1,374,000 (six months ended 30 September 2018: approximately HK$3,366,000), and the effective tax rate (excluding the non-recurring Listing expenses) was approximately 12.8% (2018: approximately 16.1%). The change in effective tax rate was mainly represented by 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 decreased by approximately 5.8%, from approximately HK$9,350,000 for the corresponding period last year to approximately HK$8,805,000 for the Period. Basic earnings per share attributable to owners of the Company decreased from approximately HK1.15 cents for corresponding period last year to approximately HK0.88 cents for the Period.

Dividend

The Board does not recommend the payment of interim dividend for the Period.

Trade and other receivables

The Group's trade and other receivables increased by approximately 8.6%, from approximately HK$56,049,000 as at 31 March 2019 to approximately HK$60,884,000 as at 30 September 2019, which was mainly due to the increase in the Group's trade receivables as at 30 September 2019 as a result of the increase in the Group's revenue during the Period.

The Group's trade receivables turnover days remain stable and recorded a slight decrease from approximately 87.7 days for the year ended 31 March 2019 to approximately 86.5 days for the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had net current assets of approximately HK$149,568,000 as at 30 September 2019 (at 31 March 2019: approximately HK$149,352,000). The Group's current ratio remained stable and recorded an increase from approximately 6.6 as at 31 March 2019 to approximately 7.7 as at 30 September 2019.

Gearing ratio is calculated based on the total non-trade debts divided by total equity at the respective reporting date. As at 30 September 2019, the Group's gearing ratio was nil (at 31 March 2019: nil), as the Group did not have any non-trade debt as at 30 September 2019 and 31 March 2019.

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 12 to this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 15 August 2019, the Group entered into a share subscription agreement with New Legend, pursuant to which, the Group has agreed to subscribe the shares representing 51% equity interest of New Legend to be allotted and issued by New Legend upon the completion of the transaction at the subscription price of HK$34,500,000.

The transaction was completed on 29 August 2019. Since then, New Legend becomes an indirect non wholly-owned subsidiary of the Group.

Save as disclosed in the abovementioned acquisition of the subsidiary, the Group did not conduct any significant investment, material acquisition and disposal of subsidiaries during the six months ended 30 September 2019.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

COMMITMENTS

As at 30 September 2019, the Group was committed to acquire some property, plant and equipment for its vessel chartering operation with an amount of approximately HK$6,772,000 (31 March 2019: Nil).

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 2019, a total amount of HK$38.2 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 2019, the Group's planned application and actual utilisation of the net proceeds is set out below:

	Net proceeds	**Utilised**	**Unutilised**
	HK$'000	*HK$'000*	*HK$'000*
Acquiring vessels	43,625	38,210	5,415
Setting up a shipyard in Hong Kong	22,000	—	22,000
	65,625	38,210	27,416

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 six months ended 30 September 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 ("**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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 have been reviewed by Deloitte Touche Tohmatsu ("**Deloitte**"), the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA. Deloitte's unmodified review report is included in the interim report to be sent to the shareholders of the Company.

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 interim results announcement and the consolidated financial statements for the period ended 30 September 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.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Company nor any of its subsidiaries after the end of the financial period requiring disclosure in this announcement.

PUBLICATION OF INTERIM RESULTS AND 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, 26 November 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.