

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020

HIGHLIGHTS

- The net profit for the period attributable to owners of the Company has increased by 18.0%, from approximately HK\$8,805,000 for the six months ended 30 September 2019 to approximately HK\$10,389,000 for the six months ended 30 September 2020.
- Basic earnings per share for the six months ended 30 September 2020 was approximately HK1.04 cent. (2019: HK0.88 cent)
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020.

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 2020 (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 2020

| | | Six months ended | |
|----------------------------------------------------------------------|-------|-------------------------|--------------------|
| | | 30 September | |
| | Notes | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited) |
| Revenue | 3 | 100,198 | 100,225 |
| Cost of revenue | | (73,482) | (72,709) |
| Gross profit | | 26,716 | 27,516 |
| Other income | 4 | 5,279 | 1,053 |
| Other gains and losses | 4 | 1 | 210 |
| Impairment loss under expected credit loss model, net of reversal | 11 | (800) | — |
| Administrative expenses | | (15,774) | (19,590) |
| Finance costs | 5 | (52) | (51) |
| Share of results of associates | | (81) | 1,569 |
| Profit before taxation | | 15,289 | 10,707 |
| Income tax expenses | 6 | (1,710) | (1,374) |
| Profit and total comprehensive income for the period | 7 | 13,579 | 9,333 |
| Profit and total comprehensive income attributable to: | | | |
| – owners of the Company | | 10,389 | 8,805 |
| – non-controlling interests | | 3,190 | 528 |
| | | 13,579 | 9,333 |
| Earnings per share - Basic (HK cent) | 9 | 1.04 | 0.88 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

| | | At 30 September 2020 <i>HK\$'000</i> <i>(unaudited)</i> | At 31 March 2020 <i>HK\$'000</i> <i>(audited)</i> |
|--------------------------------------------------------------|----|---------------------------------------------------------------------|---------------------------------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 79,561 | 72,755 |
| Interests in associates | | 6,140 | 6,221 |
| Deposit for acquisition of property, plant and equipment | | 7,450 | 4,476 |
| Deferred tax assets | | 957 | 912 |
| Other non-current asset | | 3,100 | — |
| Right-of-use assets | | 1,647 | 1,736 |
| Rental deposits | | 156 | 365 |
| | | <u>99,011</u> | <u>86,465</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 52,898 | 53,007 |
| Tax recoverable | | 2,591 | 4,609 |
| Amount due from associates | | 6,352 | 3,271 |
| Time deposits | | 18,554 | 47,161 |
| Bank balances and cash | | 78,323 | 57,272 |
| | | <u>158,718</u> | <u>165,320</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 16,250 | 19,387 |
| Amounts due to associates | | 2,385 | 2,622 |
| Amount due to non-controlling shareholder of a subsidiary | | 1,134 | — |
| Lease liabilities | | 1,380 | 1,537 |
| Tax payables | | 912 | 1,053 |
| | | <u>22,061</u> | <u>24,599</u> |
| Net current assets | | <u>136,657</u> | <u>140,721</u> |
| Total assets less current liabilities | | <u>235,668</u> | <u>227,186</u> |

| | | At 30 September 2020 <i>HK\$'000</i> <i>(unaudited)</i> | At 31 March 2020 <i>HK\$'000</i> <i>(audited)</i> |
|----------------------------------------------|------|---------------------------------------------------------------------|---------------------------------------------------------------|
| | Note | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 5,474 | 5,629 |
| Lease liabilities | | 262 | 204 |
| | | <u>5,736</u> | <u>5,833</u> |
| Net assets | | <u>229,932</u> | <u>221,353</u> |
| Capital and reserves | | | |
| Share capital | 13 | 10,000 | 10,000 |
| Reserves | | <u>182,943</u> | <u>177,554</u> |
| Equity attributable to owners of the Company | | 192,943 | 187,554 |
| Non-controlling interest | | <u>36,989</u> | <u>33,799</u> |
| Total equity | | <u>229,932</u> | <u>221,353</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment. As at the date of issuance of the condensed consolidated financial statements, there was no material adverse impact on the operations and financial positions of the Group.

The Hong Kong government of jurisdiction in which Group’s subsidiaries operate has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group has applied and received government grants in respect of COVID-19-related subsidies as disclosed in the Note 4.

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 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2020.

(i) Accounting policy became applicable in this interim period

The Group has applied the following accounting policies which became relevant to the Group in the interim period.

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidies will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate.

Government subsidies related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Other non-current asset

Club membership with indefinite useful lives that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

(ii) Application of amendments to HKFRS

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRS issued by the HKICPA for the first time 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:

| | |
|--------------------------------------------|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKAS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest rate Benchmark Reform |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole. The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

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 2020 (unaudited)

| | Vessel chartering and related services <i>HK\$'000</i> | Ship management services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------|
| SEGMENT REVENUE | | | |
| External revenue | 87,470 | 12,728 | 100,198 |
| Segment profit | 20,641 | 6,075 | 26,716 |
| Share of results of associates | | | (81) |
| Other income | | | 5,279 |
| Other gain and losses | | | 1 |
| Impairment loss under expected credit loss model, net of reversal | | | (800) |
| Administrative expenses | | | (15,774) |
| Finance costs | | | (52) |
| Profit before taxation | | | 15,289 |

For the six months ended 30 September 2019 (unaudited)

| | Vessel chartering and related services <i>HK\$'000</i> | Ship management services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------|--------------------------------------------------------------------|---------------------------------------------------|--------------------------|
| SEGMENT REVENUE | | | |
| External revenue | <u>87,644</u> | <u>12,581</u> | <u>100,225</u> |
| Segment profit | <u>21,105</u> | <u>6,411</u> | 27,516 |
| Share of results of associates | | | 1,569 |
| Other income | | | 1,053 |
| Other gains and losses | | | 210 |
| Administrative expenses | | | (19,590) |
| Finance costs | | | <u>(51)</u> |
| Profit before taxation | | | <u>10,707</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, impairment losses under expected credit loss model, net of reversal, 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.

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------------------------|-------------------------|-------------------------|
| Vessel chartering and related services | 87,470 | 87,644 |
| Ship management services | 12,728 | 12,581 |
| | <u>100,198</u> | <u>100,225</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 | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest income from banks | 394 | 528 |
| Management fee income | 180 | 216 |
| Government subsidies | 4,554 | — |
| Others | 151 | 309 |
| | <u>5,279</u> | <u>1,053</u> |

During the current interim period, the Group recognised government grants of HK\$4,554,000 in respect of COVID-19-related subsidies, of which HK\$4,145,000 relates to Employment Support Scheme (“ESS”) provided by the Hong Kong government.

Other gains and losses

| | Six months ended | |
|---------------------------------------------------|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net exchange gain | 1 | 122 |
| Gain on disposal of property, plant and equipment | — | 88 |
| | <u>1</u> | <u>210</u> |

5. FINANCE COSTS

| | Six months ended | |
|-------------------------------|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on lease liabilities | <u>52</u> | <u>51</u> |

6. INCOME TAX EXPENSES

| | Six months ended | |
|----------------------|------------------|-----------------|
| | 30 September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong Profit Tax | | |
| – Current period | 1,910 | 2,306 |
| Deferred tax | <u>(200)</u> | <u>(932)</u> |
| | <u>1,710</u> | <u>1,374</u> |

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 | |
| 2020 | 2019 |
| <i>HK\$'000</i> | <i>HK\$'000</i> |

Profit and total comprehensive income for the period has been arrived at after charging:

| | | |
|------------------------------------------------|---------------|--------|
| Staff costs, including directors' remuneration | 40,674 | 29,622 |
| Depreciation of property, plant and equipment | 2,805 | 1,626 |
| Depreciation on right-of-use assets | 1,090 | 1,030 |
| Auditor's remuneration | 200 | 480 |

8. DIVIDEND

During the current interim period, a final dividend of HK0.5 cent in respect of the year ended 31 March 2020 (2019: nil) 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\$5,000,000 (2019: nil).

The directors of the Company 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:

| At | At |
|--------------|--------------|
| 30 September | 30 September |
| 2020 | 2019 |

Earnings:

| | | |
|----------------------------------------------------------------------------------------------------------------|---------------|-------|
| Profit for the period attributable to owners of the Company for purpose of basic earnings per share (HK\$'000) | 10,389 | 8,805 |
|----------------------------------------------------------------------------------------------------------------|---------------|-------|

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. TRADE AND OTHER RECEIVABLES

| | At 30 September 2020 <i>HK\$'000</i> | At 31 March 2020 <i>HK\$'000</i> |
|---------------------------------|-----------------------------------------------|-------------------------------------------|
| Trade receivables - gross | 48,155 | 48,753 |
| Less: allowance for credit loss | (800) | — |
| | <u>47,355</u> | <u>48,753</u> |
| Other receivables | | |
| – Prepayments | 2,494 | 3,697 |
| – Deposits | 3,046 | 343 |
| – Others | 3 | 214 |
| | <u>52,898</u> | <u>53,007</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 2020 <i>HK\$'000</i> | At 31 March 2020 <i>HK\$'000</i> |
|----------------|-----------------------------------------------|-------------------------------------------|
| Within 30 days | 15,697 | 17,534 |
| 31 to 60 days | 14,779 | 14,993 |
| 61 to 90 days | 11,283 | 11,502 |
| 91 to 120 days | 3,610 | 4,209 |
| Over 120 days | 1,986 | 515 |
| | <u>47,355</u> | <u>48,753</u> |

11. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | Six months ended 30 September | |
|--------------------------------------------------------------------------------|----------------------------------|----------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Impairment loss recognised in respect of trade receivables, net of reversal | <u>800</u> | <u>—</u> |

The basis of determining the inputs and assumptions and the estimation techniques used in estimation of expected credit loss in respect of trade receivables in these condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2020.

During the current interim period, the Group provided impairment allowance HK\$800,000 (six months ended 30 September 2019: nil).

12. TRADE AND OTHER PAYABLES

| | At 30 September 2020 HK\$'000 | At 31 March 2020 HK\$'000 |
|--------------------------------|----------------------------------------|------------------------------------|
| Trade payables | 7,155 | 11,999 |
| Accrued expenses | 8,690 | 7,002 |
| Deposits received | <u>405</u> | <u>386</u> |
| Total trade and other payables | <u>16,250</u> | <u>19,387</u> |

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 2020 <i>HK\$'000</i> | At 31 March 2020 <i>HK\$'000</i> |
|----------------|-----------------------------------------------|-------------------------------------------|
| Within 30 days | 3,347 | 5,761 |
| 31 – 60 days | 3,272 | 5,417 |
| 61 – 90 days | 184 | 710 |
| 91 – 120 days | 131 | — |
| Over 120 days | 221 | 111 |
| | <u>7,155</u> | <u>11,999</u> |

13. 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 2019, 30 September 2019, 1 April 2020 and 30 September 2020 | <u>5,000,000,000</u> | <u>50,000,000</u> | <u>N/A</u> |
| Issued and fully paid | | | |
| At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020 | <u>1,000,000,000</u> | <u>10,000,000</u> | <u>10,000</u> |

14. EVENT AFTER THE END OF THE REPORTING PERIOD

The Group has applied for the second tranche of ESS in September 2020, of which an amount of approximately HK\$2,247,000 has been approved and received in October 2020.

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 2020. 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) 35 self-owned vessels; and (ii) vessels chartered from third-party vessel suppliers from time to time.

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 Tung Chung New Town Extension 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 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 2020, the Group's total revenue remained stable, recorded a slight decreased from approximately HK\$100,225,000 for the corresponding period last year to approximately HK\$100,198,000 for the Period.

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 1.1%, from approximately HK\$72,709,000 for the corresponding period last year to approximately HK\$73,482,000 for the Period, which was mainly represented by the net effect of: (i) the increased staff costs due to the increased number of crew members and the general increase in the wage level; (ii) the increased depreciation expenses for the vessels; and (iii) the decreased vessel chartering expenses payable to third-party vessel suppliers during the Period.

Gross profit and gross profit margins

The Group's gross profit decreased by approximately 2.9%, from approximately HK\$27,516,000 for the corresponding period last year to approximately HK\$26,716,000 for the Period. Meanwhile, the Group's gross profit margin decreased by approximately 0.8 percentage point from approximately 27.5% for the corresponding period last year to approximately 26.7% for the Period, which was mainly due to the aforesaid increase in the cost of revenue.

Other income

The Group's other income increased by around 401.3%, from approximately HK\$1,053,000 for the corresponding period last year to approximately HK\$5,279,000 for the Period.

During the Period, the Group recognised government grants of HK\$4,554,000 in respect of COVID-19-related subsidies, of which HK\$4,145,000 relates to Employment Support Scheme ("ESS") provided by the Hong Kong government.

Other gains and losses

The Group recorded other gains of approximately HK\$1,000 for the Period (six months ended 30 September 2019: approximately HK\$210,000). Such other gains reported for the corresponding period last year mainly represented by the non-recurring gains on disposals of motor vehicles.

Administrative expenses

The Group's administrative expenses decreased by approximately 19.5%, from approximately HK\$19,590,000 for the corresponding period last year to approximately HK\$15,774,000 for the Period, which was mainly attributable by the decrease in the Directors' remuneration and the public relations expenses during the period.

Finance cost

The Group's finance costs increased from approximately HK\$51,000 for the corresponding period last year to approximately HK\$52,000 for the Period, which was attributable by the recognition of interest on lease liabilities.

Share of results of associates

The Group recorded share of losses of associates of approximately HK\$81,000 for the Period (six months ended 30 September 2019: share of profits of approximately HK\$1,569,000), which was mainly due to the increased tax expenses in relation to disposals of property, plant and equipment by Scenic Shipping Company Limited.

Income tax expenses

For the six months ended 30 September 2020, the Group's income tax expenses were approximately HK\$1,710,000 (six months ended 30 September 2019: approximately HK\$1,374,000), and the effective tax rate was approximately 11.2% (six months ended 30 September 2019: approximately 12.8%). 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 increased by approximately 18.0%, from approximately HK\$8,805,000 for the corresponding period last year to approximately HK\$10,389,000 for the Period. Basic earnings per share attributable to owners of the Company increased from approximately HK0.88 cent for corresponding period last year to approximately HK1.04 cent 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 decreased by approximately 0.2%, from approximately HK\$53,007,000 as at 31 March 2020 to approximately HK\$52,898,000 as at 30 September 2020.

The Group's trade receivables turnover days remained stable and recorded a slight decrease from approximately 86.8 days for the year ended 31 March 2020 to approximately 86.3 days for the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had net current assets of approximately HK\$136,657,000 as at 30 September 2020 (at 31 March 2020: approximately HK\$140,721,000). The Group's current ratio remained stable and recorded an increase from approximately 6.7 as at 31 March 2020 to approximately 7.2 as at 30 September 2020.

Gearing ratio is calculated based on the total non-trade debts divided by total equity at the respective reporting date. As at 30 September 2020, the Group's gearing ratio was nil (at 31 March 2020: nil), as the Group did not have any non-trade debt as at 30 September 2020 and 31 March 2020.

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 13 to this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not conduct any significant investment, material acquisition and disposal of subsidiaries during the Period.

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 2020 (31 March 2020: Nil).

COMMITMENTS

As at 30 September 2020, the Group had no significant capital commitments (31 March 2020: Nil).

EVENTS AFTER REPORTING PERIOD

Since the outbreak of respiratory illness caused by Novel Coronavirus, or known as the COVID-19, has spread globally. The HKSAR Government has launched the ESS under the second round of the “Anti-epidemic Fund” to provide time-limited financial support to employers to retain employees who may otherwise be made redundant.

Based on the currently available information, the directors of the Group concluded that the chances of the Group’s operations being severely affected in the short term is mild. In addition, the Group has also been approved and granted for the second tranche of ESS, which amounting HK\$2,247,000.

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 2020, 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 2020, 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> | Utilised net proceeds as at 30 September 2020 <i>HK\$'000</i> | Remaining balance of the net proceeds as at 30 September 2020 <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 | 2021 |
| | <u>65,625</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 2021.

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 2020, 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 2020 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 2020, 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 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, 23 November 2020

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.