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Jinhai International Group Holdings Limited

今海國際集團控股有限公司

(Incorporated in the Cayman Islands with members’ limited liability)

(Stock Code: 2225)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Jinhai International Group Holdings Limited (the “**Company**”, together with its subsidiaries, “**the Group**”) announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 (the “**Period**” or “**1H2020**”), together with the unaudited comparative figures for the corresponding period in 2019 (“**1H2019**”) and certain comparative figures as at 31 December 2019. The issued shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange on 17 October 2017 (the “**Listing Date**” and the “**Listing**”, respectively).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	S\$	S\$
		(Unaudited)	(Unaudited)
Revenue	4	13,822,745	25,361,949
Cost of services		(9,330,985)	(19,699,945)
Gross profit		4,491,760	5,662,004
Other income	5	1,504,846	1,131,555
Selling expenses		(9,160)	(21,797)
Administrative expenses		(5,138,960)	(5,989,176)
Other gains	6	690,510	350,563
Finance costs		(155,982)	(297,606)
Profit before taxation	7	1,383,014	835,543
Income tax expense	8	(235,114)	(142,042)
Profit after taxation, representing total comprehensive income for the Period		1,147,900	693,501
Earnings per share			
Basic and diluted	10	0.09 cent	0.06 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at	
		30 June	31 December
		2020	2019
		S\$	S\$
	Notes	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		1,984,135	2,459,944
Right-of-use assets		3,403,395	4,494,213
Investment property		3,915,231	5,424,867
Other receivables		3,277	6,377
Deferred tax assets		172,100	172,100
		<u>9,478,138</u>	<u>12,557,501</u>
Current assets			
Trade receivables	11	1,475,527	6,435,012
Other receivables, deposits and prepayments		1,710,883	1,867,299
Contract assets		40,868	876
Financial assets at fair value through profit or loss		81,800	82,400
Income tax receivable		7,497	41,215
Bank balances and cash		26,688,155	21,660,275
		<u>30,004,730</u>	<u>30,087,077</u>
Current liabilities			
Trade and other payables	12	5,367,595	7,272,289
Contract liabilities		493,537	610,264
Lease liabilities		5,235,257	5,094,761
Income tax payable		607,378	376,926
		<u>11,703,767</u>	<u>13,354,240</u>
Net current assets		<u>18,300,963</u>	<u>16,732,837</u>
Non-current liabilities			
Lease liabilities		2,336,723	4,995,860
Deferred tax liabilities		92,100	92,100
		<u>2,428,823</u>	<u>5,087,960</u>
Net assets		<u>25,350,278</u>	<u>24,202,378</u>
Capital and reserves			
Share capital		2,142,414	2,142,414
Share premium		14,958,400	14,958,400
Merger reserves		1,350,000	1,350,000
Accumulated profits		6,899,464	5,751,564
		<u>25,350,278</u>	<u>24,202,378</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 14 February 2017. The immediate and ultimate holding company of the Group is Full Fortune International Co., Ltd. The ultimate controlling party is Mr. Chen Guobao who is also the Chairman and executive Director of the Company. The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Hong Kong Companies Ordinance**”) on 29 September 2017 and its principal place of business in Hong Kong is at Room 2503, Cosco Tower, 183 Queen’s Road Central, Sheung Wan, Hong Kong. The headquarters and principal place of business of the Company in Singapore is at 21B Senoko Loop, Singapore 758171. The issued Shares have been listed on the Main Board of the Stock Exchange with effect from 17 October 2017.

The Company is an investment holding company and the principal activities of its operating subsidiaries are provision of manpower outsourcing and ancillary services, provision of dormitory services, and provision of IT services and construction ancillary services for the building and construction industry.

The functional currency of the Company is Singapore dollar (“S\$”), which is also the presentation currency of the Company and its principal subsidiaries.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In preparing for the initial listing of the Company’s shares on the Main Board of the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the “**Reorganisation**”) as set out in the section headed “A. Further information about our Company – 4. Corporate Reorganisation” in Appendix IV to the prospectus of the Company dated 4 October 2017.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the unaudited consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2020, the Group adopted all the new and revised International Financial Reporting Standards (the “**IFRSs**”) and Interpretations of IFRS (“**INT IFRSs**”) that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior periods.

At the date of authorisation of these unaudited consolidated financial statements, the Group has not applied any new IFRSs that have been issued but are not yet effective.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration specified in contracts with customers for the provision of manpower outsourcing and ancillary services, dormitory services, IT services and construction ancillary services, solely derived in Singapore.

Information is reported to Executive Directors, being the chief operating decision maker of the Group (“CODM”), for the purposes of resource allocation and performance assessment. The CODM reviews revenue by nature of services, i.e. provision of manpower outsourcing and ancillary services to contractors of construction projects, provision of dormitory services, provision of IT services and provision of construction ancillary services and profit for the period as a whole. No further detailed analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group’s revenue for the respective periods is as follows:

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Revenue recognised over time:		
Provision of manpower outsourcing and ancillary services	10,116,687	21,804,489
Provision of dormitory services	3,019,792	2,768,876
Provision of IT services	204,450	415,500
Provision of construction ancillary services	481,816	373,084
	13,822,745	25,361,949

As permitted under IFRS 15 *Revenue from Contracts with Customers*, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period has not been disclosed as those performance obligations are part of customer contracts that have original expected duration of one year or less.

Major customers

There was no individual customer that contributed over 10% of total revenue of the Group during the respective periods.

Geographical information

The Group principally operates in Singapore, which is also its place of domicile. All revenues are derived from Singapore based on the location of services delivered and the Group’s property, plant and equipment are all located in Singapore.

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Government grants (<i>Note a</i>)	1,261,999	277,584
Dividend income from equity investments	1,900	1,400
Interest income (<i>Note b</i>)	–	635,268
Forfeiture of customer deposits	5,180	7,400
Work injury/workmen compensation claims	146,927	94,943
Sub-leasing income	80,012	100,479
Others	8,828	14,481
	<u>1,504,846</u>	<u>1,131,555</u>

Notes:

- a. Government grants mainly include the Wages Credit Scheme (the “WCS”), the Workforce Training and Upgrading Scheme (“WTU”), and COVID-19 Jobs Support Scheme (the “JSS”).

During the periods ended 30 June 2020 and 2019, respective grants of S\$116,463 and S\$129,811 under WCS were received. Under this credit scheme, the Singapore Government provides assistance to Singapore-registered businesses by way of co-funding 20% and 10% of wage increases for 2019 and 2020, respectively, given to Singapore citizen employees earning a gross monthly wage of S\$5,000 or below.

During the periods ended 30 June 2020 and 2019, the Group received respective grants of S\$145,995 and S\$68,991 under the WTU which co-funds up to 90% of the costs of selected skills assessment and training courses to upgrade the skills of workforce in the built environment.

During the period ended 30 June 2020, the Group received grants of S\$928,038 under JSS which provides wage support to employers to help them retain local employees (Singapore Citizens and Permanent Residents) during the period of economic uncertainty caused by COVID-19 pandemic.

The remaining balances of grants are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support with no future related costs nor related to any assets.

- b. In 1H2019, included in the interest income was deemed interest of S\$550,978 from receivables arising from the one-off profit sharing agreement with Mines & Mineral Resources Co. Ltd (“**Mines & Mineral**”), a third party counterparty in Myanmar, and the termination of convertible bonds issued by Mines & Mineral which was converted to a receivable in 2018.

6. OTHER GAINS

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Gain on disposal of equity investments	–	3,206
Changes in fair value of financial assets at fair value through profit or loss	(600)	181,568
Foreign exchange gain/(loss), net	691,110	(143,985)
Reversal of impairment loss recognised on trade and other receivables	–	309,774
	<u>690,510</u>	<u>350,563</u>

7. PROFIT BEFORE TAXATION

Profit before tax for the period has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	525,919	485,896
Depreciation of right-of-use assets	1,059,107	1,074,555
Depreciation of investment property	782,885	1,472,239
Workers and staff costs		
– Salaries, wages and other benefits	8,253,727	11,474,855
– Contribution to retirement benefit plans	426,234	550,914
– Foreign worker levy (<i>Note</i>)	415,833	6,801,621
Total workers and staff costs	<u>9,095,794</u>	<u>18,827,390</u>
Gross rental income from investment property	3,019,792	2,768,876
Less: direct operating expenses incurred for investment property that generated rental income during the period	<u>(1,175,707)</u>	<u>(2,006,149)</u>
	<u>1,844,085</u>	<u>762,727</u>

Note:

To help ease labour costs, the Singapore government provided employers with 3 rounds of levy rebate of S\$750 for each work permit holder employed as at 29 February 2020, 1 May 2020 and 1 June 2020, and waived levy payable in April, May and June 2020.

8. INCOME TAX EXPENSE

Singapore corporate income tax has been provided at the rate of 17% (30 June 2019: 17%) on the estimated assessable profits arising from Singapore.

	Six months ended 30 June	
	2020	2019
	S\$	S\$
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current tax – Singapore corporate income tax (“CIT”)	<u>235,114</u>	<u>142,042</u>

9. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2020 and 2019.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company for the purpose of basic earnings per share (S\$)	1,147,900	693,501
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,230,000,000	1,230,000,000
Basic and diluted earnings per share (S\$ cents)	<u>0.09</u>	<u>0.06</u>

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of Shares in issue.

Diluted earnings per share is the same as the basic earnings per share because the Group had no dilutive securities that are convertible into shares during the periods ended 30 June 2020 and 2019.

11. TRADE RECEIVABLES

	30 June 2020 S\$ (Unaudited)	31 December 2019 S\$ (Audited)
Trade receivables	3,702,599	8,665,617
Less: loss allowance	<u>(2,227,072)</u>	<u>(2,230,605)</u>
	<u>1,475,527</u>	<u>6,435,012</u>

The credit terms to customers are ranging from 3 to 30 days from the invoice date for trade receivables. Before accepting any new customer, the Group has assessed the potential customer’s credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

The following is an analysis of trade receivables net of loss allowance presented based on due date at the end of each reporting period:

	30 June 2020 S\$ (Unaudited)	31 December 2019 S\$ (Audited)
Not past due	5,578	2,727,601
1 to 30 days	509,102	3,234,757
31 to 60 days	575,573	364,155
61 to 90 days	249,927	45,844
91 to 180 days	53,687	40,100
181 to 365 days	82,243	22,760
>365 days	(583)	(205)
	<u>1,475,527</u>	<u>6,435,012</u>

12. TRADE AND OTHER PAYABLES

	30 June 2020 S\$ (Unaudited)	31 December 2019 S\$ (Audited)
Trade payables	746,355	616,415
Accrued operating expenses	2,432,694	3,746,643
Other payables		
Goods and services tax payables	729,790	1,447,454
Customer deposits received	1,216,006	1,178,606
Deferred income	7,582	48,003
Others	235,168	235,168
	<u>5,367,595</u>	<u>7,272,289</u>

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

	30 June 2020 S\$ (Unaudited)	31 December 2019 S\$ (Audited)
Within 30 days	372,116	436,417
31 days to 90 days	289,841	109,062
Over 90 days	84,398	70,936
	<u>746,355</u>	<u>616,415</u>

The credit period on purchases from suppliers ranges from 7 to 60 days or payable upon delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a Singapore-based service provider and mainly provides manpower outsourcing and ancillary services to building and construction contractors in the Republic of Singapore (“**Singapore**”). To a lesser extent, the Group also provides dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. The Group commenced the business of providing manpower outsourcing services in Singapore in 2006.

For the Period under review, the Group recorded revenue of approximately S\$13.8 million, a significant decrease of approximately 45.5% over the previous period, due to the Circuit Breaker (“**CB**”) measures that were implemented by the Singapore government from 7 April to 1 June 2020 (“**CB period**”) to slow the spread of COVID-19. This resulted in the suspension of non-essential services and closure of most workplace premises. Gross profit decreased to approximately S\$4.5 million in 1H2020 from approximately S\$5.7 million in 1H2019.

The COVID-19 pandemic has severely affected the construction industry in Singapore. Apart from certain essential activities, all construction activities, including those of the Group’s, were suspended in April 2020 under CB measures to contain the outbreak. While a controlled restart of some construction activities has since been permitted, the pace of resumption has been slow as a substantial proportion of the foreign construction workforce is still under quarantine. In addition, the Group is required to comply with government measures prior to resuming work, and conducting regular swab tests on its workers after resumption. It expects to incur additional costs to comply with these requirements going forward. Along with the uncertainty and other challenges brought about by the pandemic, the Group expects its performance in the remaining months of 2020 to be affected.

The Group is taking proactive steps to conserve cash by implementing stricter cost management measures and deferring capital expenditure, where sensible. The Group continues to closely monitor and manage the COVID-19 situation and will make further announcements in the event of material changes.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately S\$25.4 million for 1H2019 to approximately S\$13.8 million for 1H2020. The following table sets forth a breakdown of the revenue for 1H2020 and 1H2019 as indicated:

	1H2020 S\$ (Unaudited)	1H2019 S\$ (Unaudited)	Increase/ (Decrease) by S\$
Manpower outsourcing and ancillary services	10,116,687	21,804,489	(11,687,802)
Dormitory services	3,019,792	2,768,876	250,916
Construction ancillary services	481,816	373,084	108,732
IT services	204,450	415,500	(211,050)
	<u>13,822,745</u>	<u>25,361,949</u>	<u>(11,539,204)</u>

Revenue from manpower outsourcing and ancillary services decreased from approximately S\$21.8 million in 1H2019 to approximately S\$10.1 million in 1H2020, representing a decrease of approximately 53.6%. This is attributable to the decrease in construction activities during 1H2020, in particular, since the commencement of the CB period on 7 April 2020, where the construction activities were suspended, hence minimal revenue recognised since then.

Revenue from dormitory services remained broadly stable at approximately S\$3.0 million and S\$2.8 million for 1H2020 and 1H2019 respectively. Given the occupancy rate of our dormitory, the current capacity of our dormitory is insufficient to capture further business opportunities. Whilst the Group is actively exploring a suitable dormitory for acquisition, the Board took a cautious approach by scouting for a property that is worth its value and would also withstand any possible downturn in the property market to ensure shareholders' value are adequately protected. The Group hopes it will locate a reasonably priced property that will suit its business needs, subject to the market conditions.

Revenue from construction ancillary services in 1H2020 increased by approximately S\$0.1 million as compared to that in 1H2019. This was mainly due to an increase in sales from warehousing services due to additional industrial space rented out.

The decrease in revenue from IT services from approximately S\$0.4 million in 1H2019 to approximately S\$0.2 million in 1H2020 was mainly due to a decrease in the number of maintenance and support days required by our sole IT customer during the CB period.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately S\$5.7 million for 1H2019 to approximately S\$4.5 million for 1H2020. It was mainly due to the decrease in construction activities as discussed above. Despite that, the gross profit margin increased from approximately 22.3% for 1H2019 to approximately 32.5% for 1H2020, due primarily to (i) foreign workers' levy waiver in certain months and levy rebates provided by the Singapore government to partially support the upkeep and well-being of foreign workers, (ii) rental waiver granted by landlords and the government, and (iii) stricter cost management measures implemented by the Group.

Other income

Other income increased from approximately S\$1.1 million in 1H2019 to approximately S\$1.5 million in 1H2020 mainly due to government grants received under COVID-19 Jobs Support Scheme which provides wage support to help employers retain local employees.

Administrative expenses

Administrative expenses decreased from approximately S\$5.9 million in 1H2019 to approximately S\$5.1 million in 1H2020 mainly due to long-term workforce reduction and implementation of other cost saving strategies as a result of the economic and operational impacts of the COVID-19. There were additional costs incurred in the prior period for the provision of services relating to the unconditional mandatory cash offer by Guotai Junan Securities (Hong Kong) Limited for and on behalf of Full Fortune International Co., Ltd to acquire the issued shares of the Company (the "Offer") and the related costs incurred for the translation, typesetting and delivery of the composite document relating to the Offer. For details, please refer to the announcements of the Company dated 31 May 2019 and 19 July 2019, and the composite document of the Company dated 28 June 2019.

Other gains

Other gains increased by approximately S\$0.34 million in 1H2020 due mainly to net foreign exchange gain on revaluation of bank balances denominated in Hong Kong dollar ("HK\$"), which appreciated against Singapore dollar ("S\$") in 1H2020.

Income tax expense

Income tax expense increased from S\$0.14 million in 1H2019 to S\$0.23 million in 1H2020, mainly due to higher profits recorded in 1H2020.

Profit for the period

Despite the disruption in business activities due to COVID-19, the Group recorded a profit of approximately S\$1.15 million in 1H2020 (1H2019: S\$0.69 million) largely attributed to various COVID-19 jobs support schemes rolled out by the Singapore government and stricter cost management measures implemented by the Group.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Period to the shareholders of the Company (the “**Shareholders**”) (1H2019: S\$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group generally meets its working capital requirements from its internally generated funds and maintained a healthy financial position. Upon the Listing, the source of funds of the Group had been a combination of internally generated funds and net proceeds from the Listing.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the Period. The Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities, and other commitments can meet its funding requirements all the time.

Use of proceeds from the Share Offer

The net proceeds from the Listing were approximately HK\$82.6 million (equivalent to approximately S\$14.1 million) (after deducting underwriting fees and Listing expenses), out of which approximately S\$0.3 million has been utilised for the acquisition of three new lorries in 2018.

The below table sets out the proposed applications of the net proceeds from the Listing Date to 30 June 2020:

	Amount of the net Proceeds for each intended usage <i>HK\$’ million</i>	Amount of the utilised net proceeds as at 30 June 2020 <i>HK\$’ million</i>	Total unutilised net proceeds from the Listing Date to 30 June 2020 <i>HK\$’ million</i>	Expected timeline for the use of the unutilised net proceeds (Note 2)	
				for the year ending 31 December 2020 <i>HK\$’ million</i>	for the six months ending 30 June 2021 <i>HK\$’ million</i>
Use of net proceeds as disclosed in the Prospectus (Note 1)					
(1) For partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million	77.1	Nil	77.1	Please refer to the paragraph headed “Expected timeline for use of the unutilised net proceeds” below.	
(2) For financing the acquisition of 10 additional lorries	5.5	1.8	3.7		
	<u>82.6</u>	<u>1.8</u>	<u>80.8</u>		
Total					

Notes:

1. Further details were set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus dated 4 October 2017.
2. The expected timeline for utilising the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

Expected timeline for use of the unutilised net proceeds

As at 30 June 2020, the unutilised net proceeds of approximately HK\$80.8 million has been placed as deposits into licensed banks in Hong Kong. The unutilised net proceeds will be expected to be used according to the intentions previously disclosed in the Prospectus, with further details as elaborated below:

- As for the acquisition of an additional foreign worker dormitory, the unutilised portion amounted to approximately HK\$77.1 million as at 30 June 2020. Whilst the Company is actively exploring suitable dormitory for acquisition, the Board took a cautious approach by scouting for a property that is worth its value and would also withstand any possible downturn in the property market to ensure shareholders’ value are adequately protected. The Company hopes it will locate a reasonably priced property over the next 12 months that will suit its business needs, subject to the market conditions at the material time.
- As for the acquisition of 10 additional lorries, the unutilised portion amounted to approximately HK\$3.7 million as at 30 June 2020. The Company also takes a cautious approach in acquiring additional lorries by taking into account of, amongst others, the estimated demand for foreign workers in Singapore and the utilisation rate of the lorries owned by the Company. The Company expects to utilise approximately HK\$1.7 million for financing the acquisition of 3 additional lorries by 31 December 2020 and the remaining of approximately HK\$2.0 million for financing the acquisition of 4 additional lorries by 30 June 2021.

Borrowings and gearing ratio

As at 30 June 2020, the Group had an aggregate of current and non-current lease liabilities of approximately S\$7.6 million as compared to approximately S\$10.1 million as at 31 December 2019. The decrease was due to repayment of lease liabilities during the Period.

The Group’s gearing ratio as at 30 June 2020 was approximately 29.9% (as at 31 December 2019: approximately 41.7%). Gearing ratio is calculated by dividing total borrowings (comprising lease liabilities) by total equity as at the end of the respective year and multiplied by 100%.

As at 30 June 2020 and 31 December 2019, the Group had unutilised banking facilities of approximately S\$527,639 available for cash drawdown.

Cash and cash equivalents

As at 30 June 2020, the Group had cash and cash equivalents of approximately S\$26.7 million, of which approximately 39.7% was denominated in S\$ and approximately 60.3% was denominated in HK\$ which were placed in major licensed banks in Singapore and Hong Kong, respectively. Cash and cash equivalents denominated in United States dollars (“US\$”) were immaterial.

Foreign exchange exposure

The Group transacts mainly in S\$, which is the functional currency of all the entities in the Group.

However, the Group retains a large portion of the proceeds from the Share Offer in HK\$ which contributed to an unrealised foreign exchange gain of approximately S\$0.7 million as HK\$ strengthened against S\$ in 1H2020.

Charges on the Group’s assets and contingent liabilities

As at 30 June 2020, certain lease liabilities were secured by the charge over leased assets with an aggregate net book value of approximately S\$0.46 million (as at 31 December 2019: S\$0.53 million).

The Group did not have any material contingent liabilities as at 30 June 2020.

Capital expenditures and capital commitments

The Group’s capital expenditures principally consisted of expenditures on motor vehicles, computer and equipment, furniture and fittings. The Group recorded capital expenditures for the purchases of property, plant and equipment in the amounts of approximately S\$50,000 and S\$0.24 million for 1H2020 and 1H2019 respectively.

The Group did not have any capital commitments as at 30 June 2020.

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

There were no material acquisitions and disposal of subsidiaries, associates and joint ventures for 1H2020.

During 1H2019, the Group disposed of a portion of its investment in quoted equity shares. The proceeds from the disposal were approximately S\$1.5 million.

Off-balance sheet transactions

As at 30 June 2020, the Group did not enter into any material off-balance sheet transaction.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had 1,468 employees (as at 31 December 2019: 1,650), including foreign workers.

The Group determines employee salaries based on employee's qualifications, position and seniority. In order to attract and retain valuable employees, the Group reviews the performance of our employees, which will be taken into account in annual salary review and promotion appraisal. The Group has also adopted a sales incentive scheme, pursuant to which our sales managers are entitled to sales commission based on the number of hours of deployment in respect of any manpower outsourcing contracts obtained by them from customers.

The Group incurred workers and staff costs (including the Directors and chief executive's remuneration, and other staff's salaries, wages and other benefits) of approximately S\$8.7 million and S\$12.0 million for 1H2020 and 1H2019 respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group is exposed to cash flow interest rate risk on the variable rates of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease obligations.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Foreign currency risk

The Group has certain bank balances, financial assets measured at fair value through profit or loss, trade receivables and payables denominated in US\$ and HK\$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

Credit risk

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out a search on the credit risk of the customer, assesses the customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate provision for impairment losses are made for irrecoverable amounts. The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. In this regard, management of the Group considers that the Group’s credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

Fair value risk

The Group is exposed to fair value risk arising from financial assets and financial liabilities that are measured at fair value on a recurring and non-recurring basis.

Equity price risk

The Group is exposed to equity risks arising from equity instruments designated at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

SIGNIFICANT EVENTS AFTER THE PERIOD

Save as disclosed in this announcement, the Directors confirm that no significant event that affected the Group has occurred after 30 June 2020 and up to the date of this announcement.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) of the Company or their respective close associates (as defined under the Listing Rules) had interests in any business apart from the Group’s business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person had or might have with the Group during the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance.

The Company has complied with all applicable code provisions as set out in the CG Code during the Period.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results for the Period including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the audit committee of the Company.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.jin-hai.com.hk. The interim report of the Company for the Period containing all information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to express its gratitude to all the Group’s customers, management and staff and business partners as well as the Shareholders for their continuous support.

By order of the Board
Jinhai International Group Holdings Limited
Chen Guobao
Chairman of the Board and Executive Director

Hong Kong, 25 August 2020

As at the date of this announcement, the Board comprises nine Directors, of which two are executive Directors, namely Mr. Chen Guobao and Mr. Wang Zhenfei; four are non-executive Directors, namely Mr. Yang Fu Kang, Mr. Li Yunping, Mr. Jiang Jiangyu and Mr. Wang Huasheng; and three are independent non-executive Directors, namely Mr. Yan Jianjun, Mr. Fan Yimin and Mr. Chai Chi Man.