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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 2021

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 2021 (the “**Period**” or “**1H2021**”), together with the unaudited comparative figures for the corresponding period in 2020 (“**1H2020**”) and certain comparative figures as at 31 December 2020. 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 2021

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | <i>S\$</i> | <i>S\$</i> |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 9,646,384 | 13,822,745 |
| Cost of services | | (6,793,445) | (9,330,985) |
| Gross profit | | 2,852,939 | 4,491,760 |
| Other income | 5 | 1,016,013 | 1,504,846 |
| Selling expenses | | (9,710) | (9,160) |
| Administrative expenses | | (3,834,288) | (5,138,960) |
| Other gains | 6 | 810,018 | 690,510 |
| Finance costs | | (59,459) | (155,982) |
| Profit before taxation | 7 | 775,513 | 1,383,014 |
| Income tax expense | 8 | (38,432) | (235,114) |
| Profit after taxation, representing total comprehensive income for the Period | | 737,081 | 1,147,900 |
| Other comprehensive income, after tax | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Currency translation differences arising from foreign operations | | 17,951 | – |
| Total comprehensive income for the period | | 755,032 | 1,147,900 |
| Earnings per share | | | |
| Basic and diluted | 10 | 0.06 cent | 0.09 cent |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | As at | |
|---|-------|-------------------|-------------------|
| | | 30 June | 31 December |
| | | 2021 | 2020 |
| | Notes | S\$ | S\$ |
| | | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | | 914,941 | 1,429,207 |
| Right-of-use assets | | 1,097,338 | 2,858,451 |
| Investment property | | 975,792 | 2,438,956 |
| Deferred tax assets | | 206,100 | 206,100 |
| Other receivables | | 33,181 | 33,181 |
| | | <u>3,227,352</u> | <u>6,965,895</u> |
| Current assets | | | |
| Inventories | | 65,388 | – |
| Trade receivables | 11 | 1,640,425 | 2,281,692 |
| Other receivables, deposits and prepayments | | 3,476,156 | 4,425,544 |
| Financial assets at fair value through profit or loss | | 5,770,717 | 7,137,155 |
| Bank balances and cash | | 20,087,768 | 18,602,537 |
| | | <u>31,040,454</u> | <u>32,446,928</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 5,217,590 | 7,551,236 |
| Contract liabilities | | 465,923 | 466,696 |
| Lease liabilities | | 1,745,167 | 4,795,025 |
| Income tax payable | | 161,335 | 353,570 |
| | | <u>7,590,015</u> | <u>13,166,527</u> |
| Net current assets | | <u>23,450,439</u> | <u>19,280,401</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 385,164 | 708,701 |
| Deferred tax liabilities | | 47,170 | 47,170 |
| | | <u>432,334</u> | <u>755,871</u> |
| Net assets | | <u>26,245,457</u> | <u>25,490,425</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 |
| Currency translation reserves | | 42,919 | 24,968 |
| Accumulated profits | | 7,751,724 | 7,014,643 |
| | | <u>26,245,457</u> | <u>25,490,425</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 31 Sungei Kadut Avenue, Singapore 729660. 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 2021, the Group adopted all the new and revised International Financial Reporting Standards (the “**IFRSs**”) and Interpretations of IFRS (“**INT IFRS**”) 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 and sale of medical products in the Mainland China.

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 | |
|--|---------------------------------|--------------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Revenue recognised over time: | | |
| Provision of manpower outsourcing and ancillary services | 6,830,862 | 10,116,687 |
| Provision of dormitory services | 2,169,864 | 3,019,792 |
| Provision of construction ancillary services | 455,907 | 481,816 |
| Provision of IT services | 169,950 | 204,450 |
| Sale of medical products | 19,801 | – |
| | 9,646,384 | 13,822,745 |

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. Almost all revenues are derived from Singapore based on the location of services delivered and the Group’s property, plant and equipment are substantially located in Singapore.

5. OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Government grants (<i>Note a</i>) | 813,012 | 1,261,999 |
| Dividend income from equity investments | 74,468 | 1,900 |
| Forfeiture of customer deposits | – | 5,180 |
| Work injury/workmen compensation claims | 27,964 | 146,927 |
| Sub-leasing income | 81,816 | 80,012 |
| Others | 18,753 | 8,828 |
| | 1,016,013 | 1,504,846 |

Notes:

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

During the periods ended 30 June 2021 and 2020, the Group received respective grants of S\$672,779 and 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.

During the periods ended 30 June 2021 and 2020, respective grants of S\$110,661 and S\$116,463 under WCS were received. Under this credit scheme, the Singapore Government provides assistance to Singapore-registered businesses by way of co-funding 15% wage increases for 2020 and 2021, respectively, given to Singapore citizen employees earning a gross monthly wage of S\$5,000 or below.

During the period ended 30 June 2020, the Group received grants of S\$145,995 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.

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.

6. OTHER GAINS

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Gain on disposal of property, plant and equipment | 275,009 | – |
| Gain on disposal of financial assets at fair value through profit or loss | 120,734 | – |
| Gain on lease modification | 34,279 | – |
| Changes in fair value of financial assets at fair value through profit or loss | 79,233 | (600) |
| Foreign exchange gain, net | 300,763 | 691,110 |
| | <u>810,018</u> | <u>690,510</u> |

7. PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------|--------------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 430,089 | 525,919 |
| Depreciation of right-of-use assets | 1,139,851 | 1,059,107 |
| Depreciation of investment property | 1,463,163 | 782,885 |
| Workers and staff costs | | |
| – Salaries, wages and other benefits | 4,090,994 | 8,253,727 |
| – Contribution to retirement benefit plans | 359,867 | 426,234 |
| – Foreign worker levy (<i>Note</i>) | 1,355,422 | 415,833 |
| Total workers and staff costs | <u>5,806,283</u> | <u>9,095,794</u> |
| Gross rental income from investment property | 2,169,864 | 3,019,792 |
| Less: direct operating expenses incurred for investment property that generated rental income during the period | <u>(1,875,881)</u> | <u>(1,175,707)</u> |
| | <u>293,983</u> | <u>1,844,085</u> |

Note:

During the period ended 30 June 2020, the Singapore government provided employers with monthly levy rebates and full waiver for levies due from April to June 2020 in order to help ease labour costs.

8. INCOME TAX EXPENSE

Singapore corporate income tax has been provided at the rate of 17% (30 June 2020: 17%) on the estimated assessable profits arising from Singapore.

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2021 | 2020 |
| | S\$ | S\$ |
| | (Unaudited) | (Unaudited) |
| Tax expense comprises: | | |
| Current tax – Singapore corporate income tax (“CIT”) | <u>38,432</u> | <u>235,114</u> |

9. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2021 and 2020.

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 | |
|--|--------------------------|---------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Profit attributable to the owners of the Company for the purpose of basic earnings per share (S\$) | 737,081 | 1,147,900 |
| 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>0.06</u> | <u>0.09</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 2021 and 2020.

11. TRADE RECEIVABLES

| | 30 June 2021 S\$ (Unaudited) | 31 December 2020 S\$ (Audited) |
|----------------------|---------------------------------------|---|
| Trade receivables | 3,131,854 | 3,773,120 |
| Less: loss allowance | <u>(1,491,429)</u> | <u>(1,491,428)</u> |
| | <u>1,640,425</u> | <u>2,281,692</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 2021 S\$ (Unaudited) | 31 December 2020 S\$ (Audited) |
|-----------------|---|---|
| Not past due | 859,553 | 927,125 |
| 1 to 30 days | 665,449 | 1,237,789 |
| 31 to 60 days | 87,621 | 53,705 |
| 61 to 90 days | 715 | 10,624 |
| 91 to 180 days | 56 | 25,859 |
| 181 to 365 days | 10,834 | 21,224 |
| >365 days | 16,197 | 5,366 |
| | <u>1,640,425</u> | <u>2,281,692</u> |

12. TRADE AND OTHER PAYABLES

| | 30 June 2021 S\$ (Unaudited) | 31 December 2020 S\$ (Audited) |
|---------------------------------|---|---|
| Trade payables | 245,797 | 1,258,891 |
| Accrued operating expenses | 2,675,043 | 3,257,594 |
| Other payables | | |
| Goods and services tax payables | 908,723 | 977,525 |
| Customer deposits received | 948,366 | 1,044,826 |
| Deferred income | 194,154 | 775,999 |
| Others | 245,507 | 236,401 |
| | <u>5,217,590</u> | <u>7,551,236</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 2021 S\$ (Unaudited) | 31 December 2020 S\$ (Audited) |
|--------------------|---|---|
| Within 30 days | 139,847 | 567,838 |
| 31 days to 90 days | 33,965 | 160,399 |
| Over 90 days | 71,985 | 530,654 |
| | <u>245,797</u> | <u>1,258,891</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\$9.6 million, a significant decrease of approximately 30.2% over the previous period while gross profit decreased from approximately S\$4.5 million in 1H2020 to approximately S\$2.9 million in 1H2021 as the construction industry in Singapore continues to face disruptions due to the COVID-19 pandemic. While the government has taken measures to manage the spread of coronavirus, operating situation has not returned to pre-COVID period as the pace of work resumption has been slow due to manpower shortage and deployment challenges.

Based on advance estimates from the Ministry of Trade and Industry Singapore released on 14 July 2021, the Singapore economy grew by 14.3% on a year-on-year basis in the second quarter of 2021. The construction sector expanded by 98.8% on a year-on-year basis in the second quarter of 2021. The sharp upturn was due to low base effects as the previous lockdown measures had resulted in a stoppage of most construction activities in the second quarter of last year. In absolute terms, the value-added of the sector remained 31.6% below its pre-pandemic level.

Against this backdrop, the Group expects operating conditions in the construction sector to remain challenging in 2021.

As announced on 2 March 2021, Jinhai Technology Development (Ningbo) Co., Ltd.,* (今海科技發展(寧波)有限公司) (“**Jinhai Technology**”), a wholly-owned subsidiary of the Company, entered into the articles of association (the “**JV Articles**”) with Mr. Liu Lei (劉鐳先生) and Ms. Yu Haibo (俞海波女士), pursuant to which the parties agreed to establish Shanghai Jinhai Medical Technology Company Limited* (上海今海醫療科技有限公司) (“**Jinhai Medical**”), with registered capital of RMB30,000,000. Considering the expected growing demand for quality medical services, which has been particularly emphasised during the pandemic, the Board considers that the formation of Jinhai Medical represents an opportunity to allow the Group to tap into the medical solutions industry so as to further expand its customer base and source of revenue. The Board believes that by investing in the new business, not only will potentially enormous commercial value be generated but also more medical solutions markets in other countries and connections can be reached and built in the long run.

The Board will keep shareholders informed of material developments as and when they arise.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately S\$13.8 million for 1H2020 to approximately S\$9.6 million for 1H2021. The following table sets forth a breakdown of the revenue for 1H2021 and 1H2020 as indicated:

| | 1H2021 S\$ (Unaudited) | 1H2020 S\$ (Unaudited) | Increase/ (Decrease) by S\$ |
|---|------------------------------|------------------------------|--------------------------------------|
| Manpower outsourcing and ancillary services | 6,830,862 | 10,116,687 | (3,285,825) |
| Dormitory services | 2,169,864 | 3,019,792 | (849,928) |
| Construction ancillary services | 455,907 | 481,816 | (25,909) |
| IT services | 169,950 | 204,450 | (34,500) |
| Sale of medical products | 19,801 | – | 19,801 |
| | <u>9,646,384</u> | <u>13,822,745</u> | <u>(4,176,361)</u> |

Revenue from manpower outsourcing and ancillary services decreased from approximately S\$10.1 million in 1H2020 to approximately S\$6.8 million in 1H2021, representing a decrease of approximately 32.5%. This was mainly attributable to the decrease in construction activities during 1H2021, as the pace of work resumption has been slow since 2020 amid ongoing manpower shortage arising from tighter border measures, disruptions in manpower deployment due to the workers' movement control, and additional safe management measures implemented at the worksites.

Revenue from dormitory services decreased from approximately S\$3.0 million in 1H2020 to approximately S\$2.2 million in 1H2021 mainly due to lower occupancy rate. Whilst the Group continues to search for a suitable dormitory for acquisition, given the previous lockdown in Singapore, changes to regulations affecting workers dormitory capacity to combat COVID-19 infection and the market condition, the identification of the additional foreign worker dormitory has been delayed. 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 over the next 12 months that will suit its business needs, subject to the market conditions.

The decrease in revenue from IT services was mainly due to a decrease in the number of maintenance and support days required by our sole IT customer during 1H2021.

Revenue from sale of medical products relates to the provision of minimally invasive surgery solutions by producing, selling and distributing, amongst others, 4K, 3D and fluorescent ultra high-resolution endoscope products.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately S\$4.5 million in 1H2020 to approximately S\$2.9 million in 1H2021, while gross profit margin decreased from approximately 32.5% in 1H2020 to approximately 29.6% in 1H2021. This was mainly due to (i) the decrease in construction activities as discussed above, (ii) a decrease in foreign workers' levy rebates provided by the Singapore government, and (iii) the absence of rental waiver during the Period.

Other income

Other income decreased from approximately S\$1.5 million in 1H2020 to approximately S\$1.0 million in 1H2021 mainly due to tapering off of government assistance as the economy gradually re-opens.

Administrative expenses

Administrative expenses decreased from approximately S\$5.1 million in 1H2020 to approximately S\$3.8 million in 1H2021 mainly due to long-term workforce reduction and implementation of other cost saving strategies as a result of the economic and operational impacts of COVID-19.

Other gains

Other gains increased by approximately S\$0.12 million in 1H2021 mainly due to (i) gain on disposal of property, plant and equipment and (ii) changes in fair value and gain on disposal equity investments, partially offset by a decrease in net foreign exchange gain on revaluation of bank balances denominated in Hong Kong dollar ("HK\$"), which appreciated against Singapore dollar ("S\$") in 1H2021.

Income tax expense

Income tax expense decreased from S\$0.23 million in 1H2020 to S\$38,000 in 1H2021, mainly due to lower taxable profits recorded during the Period.

Profit for the Period

Despite the disruption in business activities due to COVID-19, the Group recorded a profit of approximately S\$0.74 million in 1H2021 (1H2020: S\$1.15 million) largely attributed to various non-recurring COVID-19 support schemes extended by the Singapore government, gain on disposal of equity investments, plant and equipment, 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**") (1H2020: 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).

The below table sets out the proposed applications of the net proceeds from the Listing Date to 30 June 2021:

| Intended use of Net Proceeds | Original allocation (HK\$' million) | Revised allocation as at 16 October 2020 (HK\$' million) | Revised allocation as at 2 March 2021 (HK\$' million) | Utilised amount of Net Proceeds as at 30 June 2021 (HK\$' million) | Unutilised amount of Net Proceeds as at 30 June 2021 (HK\$' million) | Expected timeline for fully utilising the Unutilised Net Proceeds |
|---|--|--|---|---|---|--|
| For partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million | 77.1 | 61.3 | 46.6 | – | 46.6 | By the end of June 2024 (Note 4) |
| For financing the acquisition of 10 additional lorries | 5.5 | 3.7 | 3.7 | 1.8 | 1.9 | By the end of June 2022 (Note 5) |
| For financing the investment in securities | – | 10.0 (Note 1) | 10.0 | 10.0 | – | N/A |
| For repaying the loan | – | 5.8 (Note 2) | – | N/A | N/A | N/A |
| For injection of registered capital in Jinhai Medical | – | – | 20.5 | – | 20.5 (Note 3) | By the end of October 2023 (Note 6) |
| Total | 82.6 | 80.8 | 80.8 | 11.8 | 69.0 | |

Note 1:

Given the previous lockdown of Singapore due to the novel Coronavirus, the identification of the additional foreign worker dormitory has been delayed. In order to generate a better short term return and enhance the yield of the idle cash of the Company, the Company re-allocated approximately HK\$10.0 million to acquire on the open market certain listed securities. For details, please refer to the announcement of the Company dated 16 October 2020 (the “**October 2020 Announcement**”).

Note 2:

Pursuant to the October 2020 Announcement, Mr. Chen Guobao, a controlling shareholder and chairman of the Company advanced the Loan to the Company for the acquisition (the “**Acquisition**”) of Shanghai Yunzhichu Information Technology Company Limited* (上海雲之初信息科技有限公司). Pursuant to the announcement of the Company dated 12 November 2020, the Acquisition was terminated due to certain preconditions of the Acquisition could not be fulfilled, hence, the use of the Net Proceeds for repaying the Loan was delayed.

Note 3:

Despite actively exploring suitable dormitory for acquisition, the previous lockdown and market condition of Singapore due to the novel Coronavirus, the identification of the additional foreign worker dormitory has been delayed. In order to generate a better return and enhance the long term growth of the Company, the Company re-allocated the unutilized Net Proceeds from (i) the acquisition of additional foreign worker dormitory and (ii) repaying the Loan in the amount of approximately HK\$14.7 million and HK\$5.8 million, respectively, towards the formation of the joint venture company. For details, please refer to the announcements of the Company dated 2 March 2021 and 16 April 2021 (the “**Announcements**”).

Note 4:

As stated in the Announcements, the Company has been ongoingly and actively searching for suitable foreign worker dormitories. However, the Singapore property market has been volatile and maintained at a relatively high level as compared to 2018. Hence, the Company has maintained a cautious approach and attempted to look for properties that are worth its value and would withstand possible downturn in the property market. In the event that it successfully acquires the additional foreign worker dormitory, the Company will comply with the requirements of the Listing Rules and make further announcement(s) as and when appropriate.

Note 5:

As the business performance of the Group’s segment under provision of manpower outsourcing and ancillary services has been declining since 2019, the immediate need for additional lorries has decreased. Hence, the Group postponed the expected time of utilisation of the remaining net proceeds for such use by the end of June 2022.

Note 6:

As stated in the Announcements, the business of Jinhai Medical is at preparatory stage. The Company expects that the capital expenditure as stated in the Announcements shall be incurred gradually within 30 months from April 2021 depending on the status of obtaining the required business certificates and the business conditions of Jinhai Medical.

Cash and cash equivalents

As at 30 June 2021, the Group had cash and cash equivalents of approximately S\$20.1 million, of which approximately 31.1% was denominated in S\$ and approximately 67.5% 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\$”) and Chinese Renminbi (“RMB”) were immaterial.

Borrowings and gearing ratio

As at 30 June 2021, the Group had an aggregate of current and non-current lease liabilities of approximately S\$2.1 million as compared to approximately S\$5.5 million as at 31 December 2020. The decrease was due to repayment of lease liabilities during the Period.

The Group’s gearing ratio as at 30 June 2021 was approximately 8.1% (as at 31 December 2020: approximately 21.6%). 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 2021 and 31 December 2020, the Group had unutilised banking facilities of approximately S\$527,639 available for cash drawdown.

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\$0.3 million as HK\$ strengthened against S\$ in 1H2021.

Charges on the Group’s assets and contingent liabilities

As at 30 June 2021, certain lease liabilities were secured by the charge over leased assets with an aggregate net book value of approximately S\$0.31 million (as at 31 December 2020: S\$0.39 million).

The Group did not have any material contingent liabilities as at 30 June 2021.

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 Nil and S\$50,000 for 1H2021 and 1H2020 respectively.

The Group did not have any capital commitments as at 30 June 2021.

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

For details regarding the formation of Jinhai Medical as discussed above, please refer to the announcement of the Company dated 2 March 2021. Save as disclosed in this announcement, there were no material acquisitions and disposal of subsidiaries, associates and joint ventures for 1H2021.

The Group held investments in quoted equity shares at fair value of approximately S\$5.8 million and S\$7.1 million, respectively as at 30 June 2021 and 31 December 2020.

The economic outlook and financial market in Singapore remain uncertain due to the global outbreak of COVID-19 since early 2020. In view of these uncertainties and the existing market conditions, the Group decided to adopt a more effective approach to manage its internally generated funds to acquire on the open market certain listed securities. The investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the Period.

Off-balance sheet transactions

As at 30 June 2021, the Group did not enter into any material off-balance sheet transaction.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had 445 employees (as at 31 December 2020: 541), 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\$4.1 million and S\$8.7 million for 1H2021 and 1H2020 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\$, RMB 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 2021 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, 30 August 2021

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