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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE COMPANY CHANGE IN USE OF PROCEEDS

The board (“**Board**”) of directors (“**Directors**”) of Jinhai International Group Holdings Limited (the “**Company**”) announces that, as part of the Group’s recent business development, on 7 January 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 (劉鐸) (“**Mr. Liu**”) and Ms. Yu Haibo (俞海波) (“**Ms. Yu**”), pursuant to which the parties agreed to establish Shanghai Jinhai Medical Technology Co., Ltd.* (上海今海醫療科技有限公司) (“**Jinhai Medical**” or “**JV Company**”), with registered capital of RMB30,000,000. Pursuant to the JV Articles, Jinhai Technology will contribute RMB17,100,000 in cash towards the registered capital of the JV Company. By virtue of its majority shareholding of the JV Company, the Group considers that it has control over the JV Company. Accordingly, pursuant to the relevant accounting policies adopted by the Group, the JV Company will be accounted for as a subsidiary of the Company and its financial statements will be incorporated in the consolidated financial statements of the Group. Jinhai Medical intends to engage in the provision of minimally invasive surgery solutions by producing, selling and distributing, amongst others, 4K, 3D and fluorescent ultra high resolution endoscope products (the “**New Business**”).

PRINCIPAL TERMS OF THE JV ARTICLES

The principal terms of the JV Articles are set out as follows:

Date : 7 January 2021

Parties : (i) Jinhai Technology;
(ii) Mr. Liu Lei (劉鐸先生); and
(iii) Ms. Yu Haibo (俞海波女士)

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, each of Mr. Liu and Ms. Yu is third party independent of the Company and its connected persons.

Name of JV Company	:	Shanghai Jinhai Medical Technology Co., Ltd.* (上海今海醫療科技有限公司)		
Scope of main business of JV Company	:	The provision of minimally invasive surgery solutions by producing, selling and distributing, amongst others, 4K, 3D and fluorescent ultra high resolution endoscope products		
License required	:	The main business of the JV Company requires the possession of the Type 2 Medical Instruments Registration Certificate (二類醫療器械註冊證) (the “ Certificate ”). As at the date of this announcement, the JV Company is in the process of applying for the Certificate. It is expected that the application process will take approximately eight to twelve months. To the best of the knowledge, information and belief of the Board having made all reasonable enquiry, there are no legal impediments to the JV Company in obtaining the Certificate.		
Registered capital	:	RMB30,000,000		
Capital contribution	:	The parties to the JV Company shall contribute in cash to the capital of the JV Company in the following proportion:		
		Party	Capital contribution	% of equity interest in the JV Company Contribution schedule
		Jinhai Technology	RMB17,100,000	57% By 15 December 2050
		Mr. Liu Lei (劉鐸)	RMB11,400,000	38% By 15 December 2050
		Ms. Yu Haibo (俞海波)	RMB1,500,000	5% By 15 December 2050
Source of fund for capital contribution	:	Unutilised Net Proceeds (as defined in the section headed “Use of Proceeds” in this announcement)		
Management of the JV Company	:	The shareholders’ meeting of the JV Company shall be composed of all shareholders and shall be the organ of authority of the JV Company. The JV Company will have three directors which are elected by a majority at the shareholders’ meeting and one manager who is appointed by the board of directors of the JV Company.		
Restriction on equity transfer and pre-emptive rights	:	The shareholders of the JV Company may transfer all or part of their equity interests in the JV Company among themselves. No transfer of equity interests in the JV Company by any shareholder to any third party shall be allowed unless such transfer of equity interests in the JV Company was first offered to the non-selling shareholder(s) of the JV Company.		

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Board has been actively exploring business opportunities to diversify the existing business and broaden the revenue base of the Group in order to achieve better return for the shareholders (the “**Shareholders**”) of the Company. Considering the expected growing demand for quality medical services, which has been particularly emphasized during the novel Coronavirus pandemic, the Group considers that the formation of the JV Company 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 considers that advance medical equipment and surgery solutions are currently in high demand and has become a creative and high-yield business model which would result in huge potential for business growth. The Board also 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. By partnering with Mr. Liu, the Group may benefit from the experience of Mr. Liu in the field of medical and surgical equipment industry. Mr. Liu graduated from the School of Medical Instrument and Food Engineering USST (上海理工大學醫療器械與食品學院) (“**School of Medical Instrument**”) with a bachelor degree specialising in pharmacy and has obtained a diploma in International Economics and Trade at Fudan University (復旦大學). Mr. Liu was a student under Dr. Song Chengli (宋成利教授), a specialist in minimally invasive surgery at the School of Medical Instrument, and has worked mainly on product development at various international medical and surgical equipment companies, including Stryker Corporation (美國史賽克(中國)有限公司), Shenzhen Mindray Bio-Medical Electronics Co., Ltd (深圳邁瑞生物醫療電子股份有限公司) and Suzhou Caring Medical Co., Ltd (蘇州國科美潤達醫療技術有限公司) in aggregate for over 10 years. The Board is of the view that the establishment of the JV Company and the investment in the New Business are in the best interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP, MR. LIU AND MS. YU

The Group is principally engaged in the provision of manpower outsourcing; ancillary services to building and construction contractors; dormitory services; and IT services in Singapore. The scope of business under Jinhai Technology’s business licence includes the provision, development, consulting and promotion of solutions services and the sale of electronic equipment and computer hardware.

Each of Mr. Liu and Ms. Yu is a PRC individual resident. For Mr. Liu’s profile, please refer to the paragraph “Reasons for and Benefits of the Formation of the JV Company” above. To the best of the knowledge, information and belief of the Board having made all reasonable enquiry, each of Mr. Liu and Ms. Yu is an independent third party.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio (as defined in the Listing Rules) in respect of the capital contribution of Jinhai Technology under the JV Articles exceeds 5% but less than 25%, the formation of Jinhai Medical under the JV Articles constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

The Company understands that it should have informed The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and published an announcement as soon as possible in accordance with Rule 14.34 of the Listing Rules as and when the obligations in relation to the formation of the JV Company (the “**Transaction**”) arose.

The Company deeply regrets its delay in compliance with the Listing Rules but would like to stress that the delay in compliance of the Listing Rules was inadvertent and unintentional. The management of the Company inadvertently overlooked the implications of the Transaction under the Listing Rules, resulting in the unfortunate delay in the publication of the Announcement. However, the Company would like to stress that as soon as the Listing Rules implications of the Transaction were realized by the Board and the company secretary during the process when the Company was arranging for funding for its capital commitment in the JV Company, immediate actions were taken to consult our legal advisers and arrange disclosure of the Transaction in accordance with the Listing Rules.

REMEDIAL ACTIONS

The Group takes the incident seriously and shall take the following remedial actions to prevent similar events from recurring:

- (i) circulating a guideline (the “**Guideline**”) relating to notifiable transactions under the Listing Rules for all the Directors, senior management and accounting staff to reinforce their knowledge relating to notifiable transactions, and to strengthen their ability to identify potential issues at early stage;
- (ii) conducting internal training sessions to explain the Listing Rules and the reporting procedure of notifiable transactions, and to emphasise the importance of identifying such transactions prior to execution;
- (iii) the internal control and compliance department of the Group will continue to perform quarterly checks on whether the relevant staff have complied with the Guideline; and
- (iv) consult the Group’s legal advisers on a timely basis before entering into possible notifiable transactions.

USE OF PROCEEDS

References are made to the announcements of the Company dated 16 October 2020 and 12 November 2020 (the “**Announcements**”) pursuant to which, amongst others, the Company announced certain changes in the use of the Net Proceeds which remained unutilised (the “**Unutilised Net Proceeds**”) as at October 2020. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements. The Unutilised Net Proceeds amounted to approximately HK\$70.8 million.

As at the date of this announcement, the Group utilised an aggregate amount of approximately HK\$11.8 million of the Unutilised Net Proceeds, representing approximately 14.3% of the Net Proceeds. The Unutilised Net Proceeds amounted to approximately HK\$70.8 million, representing approximately 85.7% of the Net Proceeds as follows:

Intended use of Net Proceeds	Approximate percentage of Net Proceeds (%)	Actual amount of Net Proceeds (HK\$' million)	Utilised amount of Net Proceeds up to the date of this announcement (HK\$' million)	Unutilised amount of Net Proceeds as at the date of this announcement (HK\$' million)
(1) For partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million	75.9	61.3	–	61.3
(2) For financing the acquisition of 10 additional lorries	4.6	3.7	–	3.7
(3) For financing the Investment in Securities	12.4	10.0	10.0	–
(4) For repaying the Loan	7.1	5.8	–	5.8
Total	100%	80.8	10.0	70.8

CHANGE IN USE OF PROCEEDS

For the reasons set out in the paragraph headed “Reasons for change in use of proceeds” of this announcement below, the Board has resolved to change the use of Unutilised Net Proceeds as follows:

Intended use of Net Proceeds	Approximate percentage of Unutilised Net Proceeds (%)	Unutilised amount of Net Proceeds as at the date of this announcement (HK\$' million)	Revised allocation of Unutilised Net Proceeds (HK\$' million)	Expected timeline for fully utilising the Current Unutilised Net Proceeds after the revised allocation (Note 1)
(1) For partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million	65.8	61.3	46.6	Note 2
(2) For financing the acquisition of 10 additional lorries	5.2	3.7	3.7	By the end of 30 June 2021
(3) For financing the Investments in Securities	–	–	–	N/A
(4) For repaying the Loan	–	5.8	–	N/A
(5) For injection of registered capital in Jinhai Medical	29.0	–	20.5	Note 3
Total	100%	70.8	70.8	

Notes

- (1): 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.
- (2): The unutilised portion amounted to approximately HK\$46.6 million as at the date of this announcement. Whilst the Company is actively exploring suitable dormitory for acquisition, given the previous lockdown of the city and the market condition, the identification of the additional foreign worker dormitory has been delayed. Also, 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.
- (3): The first phase of the injection will amount to RMB3 million and will be paid by end of March 2021. The Company expects no more than RMB7 million to be injected by the end of 31 December 2021. The expected timeline for utilising the remaining Net Proceeds for the injection of registered capital of Jinhai Medical based on the current and future business development of Jinhai Medical and the market conditions.

REASONS FOR CHANGE IN USE OF PROCEEDS

Formation of the JV Company and Investment in the New Business

As disclosed above, the Board has been actively exploring business opportunities to diversify the existing business and broaden the revenue base of the Group in order to achieve better return for the Shareholders. Considering the expected growing demand for quality medical services, which has been particularly emphasized during the novel Coronavirus pandemic, the Group considers that the formation of the JV Company 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.

In order to generate a better return and enhance the long term growth of the Company, the Board is of the view that it would be of the best interest to the Company and the Shareholders as a whole to change the intended use of the Unutilised Net Proceeds, by re-allocating approximately HK\$20.5 million, representing approximately 29% of the Unutilised Net Proceeds, to the formation of the JV Company and investment in the New Business.

Having considered (i) the low interest rate environment and (ii) the financial position of the Group, the Company considered that the formation of the JV Company and investment in the New Business would present a good opportunity for the Group to utilize its available funds for a return, and the New Business will broaden the customer base and source of revenue for the Group. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds as set out in the Prospectus, the Announcements and the above, and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

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

Hong Kong, 2 March 2021

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.

* *For identification purposes only*