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## JINHUI HOLDINGS COMPANY LIMITED

金輝集團有限公司

*(Incorporated in Hong Kong with limited liability)*

Stock Code : 137

### UPDATE ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION IN RELATION TO CO-INVESTMENT IN PROPERTY

The Board makes this update announcement to the Company's announcement dated 20 April 2018 (the "Announcement") in relation to the Co-Investment in Property. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as ascribed thereto in the Announcement.

The Co-Investor (an approximately 55.69% indirectly owned subsidiary of the Company) received updates from the Investment Manager on 19 and 26 May 2020 in relation to the status of the Co-Investment in Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC (the "Tower A" or previously named as "T3 Property") and option to be considered by all Tower A investors.

As the proposed option deviates from the original term in the Co-Investment Agreement, the Investment Manager is seeking consents from all investors in Tower A or responses by 3 June 2020. Up to the date of this announcement, the Group is still considering the financial and commercial impact and has not decided on the consent to the roll-over proposal. We will update all shareholders of the Company on the consensus and investment update timely and accordingly.

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

As set out in the Company's announcement dated 20 April 2018 (the "Announcement") in relation to the Co-Investment in Tower A, the Co-Investor (an approximately 55.69% indirectly owned subsidiary of the Company) committed to acquire issued non-voting participating class A shares of Dual Bliss of US\$10,000,000 (approximately HK\$78,000,000) and up to the date of this announcement, the Co-Investor owns 34.5901% interest in Dual Bliss in accordance with the terms and conditions of the Co-Investment Agreement. The total equity investment for the Tower A is approximately US\$128.6 million (approximately HK\$1,003.1 million) and the sharing between Total Surplus (held by Phoenix Fund VI), Key Reward and Dual Bliss are approximately US\$70.7 million (approximately HK\$551.5 million) (55%), US\$31.5 million (approximately HK\$245.7 million) (24.4583%) and US\$26.4 million (approximately HK\$205.9 million) (20.5417%) respectively.

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

## **Parties**

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are international ship chartering and ship owning.

***The Co-Investor***, a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 55.69% owned subsidiary of the Company as at date of this announcement.

***Phoenix Property Investors Limited*** (the “*Investment Manager*”) is an exempted company incorporated in the Cayman Islands with limited liability and is principally engaged in investment management. The Company understands that the Investment Manager is a disciplined, value-oriented real estate investor and operator with investment advisory offices in Hong Kong, Shanghai, Tokyo, Sydney, Taipei, Seoul and Singapore and an asset management office in Shanghai. To the best of the Board’s knowledge, information and belief, having made all reasonable enquiry, the Investment Manager and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

***Key Reward*** is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Board’s knowledge, information and belief, having made all reasonable enquiry, Key Reward and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

***Dual Bliss*** is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Board’s knowledge, information and belief, having made all reasonable enquiry, Dual Bliss and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

***Total Surplus*** is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Board’s knowledge, information and belief, having made all reasonable enquiry, Total Surplus and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The objective of Dual Bliss is to give third party investors the opportunity to co-invest with Phoenix Fund VI in Tower A of One Financial Street Center, Jing’an Central Business District, Shanghai, the PRC (the “**Tower A**” or previously named as “T3 Property”). Phoenix Fund VI focuses on fundamental value discovery and value creation by making real estate investment throughout Asia-Pacific with an emphasis on Greater China, Japan, Australia, Southeast Asia and Korea. To the best of the Board’s knowledge, information and belief, having made all reasonable enquiry, Phoenix Fund VI and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **UPDATE IN RELATION TO THE CO-INVESTMENT IN PROPERTY**

The Co-Investor received updates from the Investment Manager on 19 and 26 May 2020 in relation to the status of the Co-Investment in Tower A of One Financial Street Center, Jing’an Central Business District, Shanghai, the PRC and option to be considered by all Tower A investors. The Investment Manager advised that the property market in China has been significantly impacted by prolonged US-China trade war, and the cities lockdown due to the outbreak of Coronavirus Disease 2019 (“COVID-19”). The Shanghai commercial real estate sector has entered a bear market as the supply-demand dynamic has shifted unfavorably which affect both capital value and rental offers. The Investment Manager advised that due to the tough real estate and capital markets, the property project in Tower A run into financial difficulties in closing the acquisition as banks intent to reduce its lending and the resulting funding gap which requires new equity injection, while it could be explored, is not economically feasible yet based on low projected return.

A similar situation applies to a sister-project in the property (“Tower B”) at the same location, which is owned by Tower B investors. The Investment Manager advised that approximately 50% of the purchase price pursuant to each of the Tower A and Tower B contracts has been paid through a combination of equity (30% of purchase price) and an offshore bridge loan (20% of the purchase price) for each tower. The bridge loan for each tower will mature by the end of November 2020. The remaining 50% of the purchase price of each tower was originally scheduled to be due at the end of April 2020 handover, so under the circumstances, on behalf of all of the investors, the Investment Manager negotiated verbally with the vendor of Tower A to extend the payment due date. Due to the tightening of the capital markets cause banks to reduce its lending and the difficulties in refinancing the offshore bridge loans, Tower A investors and Tower B investors may not be able to close either Tower A or Tower B acquisitions and may run towards purchaser default situations. In the event of default, Tower A investors are contractually required to forfeit 20% of the Tower A’s purchase price, and same situations apply to Tower B investors.

The Investment Manager has proposed an option, subject to the consensus of all investors in Tower A and Tower B, to procure a new buyer to acquire 100% of either Tower A or Tower B or both and in the event that, if only one tower is sold, the proceeds will be used to pay down the existing loan of the sold tower, with the remaining proceeds rolled over for the purpose of acquiring the remaining unpaid-for-portion of the remaining tower. This will result in the remaining tower being owned collectively by both Tower A investors and Tower B investors. This roll-over proposal will require the virtually unanimous approvals of all Tower A investors and Tower B investors, and the interest of the remaining tower’s investors will be diluted by the amount reinvested by the realized tower’s investors.

Based on the information provided by the Investment Manager, in the roll-over proposal, the projected returns on roll-over proposal, compared with other scenarios, would maximize all investors’ chances at preserving the most capital, assuming the projected exit of the remaining tower will be in year 2025. When either Tower A or Tower B is being sold, the amount of remaining proceeds will be rolled over for the purpose of acquiring the remaining unpaid-for-portion of the remaining tower. The basis on which the proceeds will be reinvested shall be determined by a third-party auditor with an external valuer to determine the net asset value of the remaining tower.

If the Investment Manager is unable to obtain the required approval among the investors in Tower A and Tower B, or unable to procure a buyer for either of Tower A or Tower B, and bank financing nor new equity injection are not economically available, it would be very likely a default contract scenario would happen. Under this circumstance, the Investment Manager expects that the investors of Tower A are obliged to pay a maximum compensation of 20% of the purchase price of Tower A and this will result in a 74% loss on the invested equity for the Tower A investors. Accordingly, we expect an impairment loss on the Group’s Co-Investment in Tower A in the default contract scenario if the required approval cannot be obtained, and impairment loss of approximately US\$7,400,000 (approximately HK\$57,720,000), being 74% loss on the committed equity investment of US\$10,000,000 (approximately HK\$78,000,000), will be recognized in the second quarter of 2020.

As the proposed option deviates from the original term in the Co-Investment Agreement, the Investment Manager is seeking consents from all investors in Tower A or responses by 3 June 2020. Up to the date of this announcement, the Group is still considering the financial and commercial impact and has not decided on the consent to the roll-over proposal. We will update all shareholders of the Company on the consensus and investment update timely and accordingly.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following expressions of the following meanings were used:

“Board”	the board of Directors;
“Co-Investment”	the co-investment in Tower A (previously named as “T3 Property”) as contemplated under the Co-Investment Agreement;
“Co-Investment Agreement”	the co-investment agreement dated 20 April 2018 and entered among Key Reward, Total Surplus and Dual Bliss;
“Co-Investor”	Peninsular Wonder Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Jinhui Shipping, which is in turn an approximately 55.69% owned subsidiary of the Company as at date of this announcement;
“Company”	Jinhui Holdings Company Limited, a company incorporated in Hong Kong, whose shares are listed on the Hong Kong Stock Exchange;
“Directors”	the directors of the Company;
“Dual Bliss”	Dual Bliss Limited, a company incorporated in the British Virgin Islands with limited liability;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Investment Manager”	Phoenix Property Investors Limited, an exempted company incorporated in the Cayman Islands with limited liability;
“Jinhui Shipping”	Jinhui Shipping and Transportation Limited, a limited liability company incorporated in Bermuda and an approximately 55.69% owned subsidiary of the Company as at date of this announcement, whose shares are listed on the Oslo Stock Exchange (stock code: JIN);
“Key Reward”	Key Reward Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Phoenix Fund VI”	together Phoenix Asia Real Estate Investments VI(A), L.P. and Phoenix Asia Real Estate Investments VI(B), L.P., both are Cayman Islands exempted limited partnership;
“PRC”	The People’s Republic of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Total Surplus”	Total Surplus Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
“Tower A”	Tower A of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC;
“Tower B”	Tower B of One Financial Street Center, Jing'an Central Business District, Shanghai, the PRC;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong; and
“US\$”	United States dollars, the lawful currency of the United States of America, and for the purpose of illustration only, translated into HK\$ at the rate of US\$1.00=HK\$7.80.

By Order of the Board  
**Jinhui Holdings Company Limited**  
**Ng Siu Fai**  
*Chairman*

Hong Kong, 28 May 2020

*As at date of this announcement, the Executive Directors of the Company are Ng Siu Fai, Ng Kam Wah Thomas, Ng Ki Hung Frankie and Ho Suk Lin; and the Independent Non-executive Directors of the Company are Cui Jianhua, Tsui Che Yin Frank and William Yau.*