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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香港小輪（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 50)

CONTINUING CONNECTED TRANSACTION

Reference is made to the 2015 Announcement relating to, among other things, the tenancy arrangement under the 2015 Letter Agreement between Jet Legend and HPAL which expired on 4 January 2017. Pursuant to the 2015 Letter Agreement, HPAL acted as agent of Jet Legend and Jet Legend was the principal under the Miramar/HPAL Agreement with Shahdan in respect of the Premises for use as show flats and sales office for the sale of the residential units of the TCS Property.

In view of the continuation of the use of the Premises as show flats and sales office for the sale of the residential units of the TCS Property, Jet Legend and HPAL have on 6 January 2017 entered into the Second Letter Agreement pursuant to which in respect of the period from 5 January 2017 to the Completion Date, HPAL would continue to act as agent of Jet Legend and Jet Legend would continue to be the principal under the Miramar/HPAL Agreement with Shahdan in respect of the Premises.

HPAL is an indirect wholly-owned subsidiary of Henderson Land. Henderson Land is a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 33.4% of the issued shares of the Company. Therefore, HPAL is a connected person of the Company under the Listing Rules. The entering into of the Second Letter Agreement by Jet Legend and the transaction contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transaction contemplated under the Second Letter Agreement calculated by reference to the aggregate sum of rents, fees and other charges (exclusive of Government rates) payable by Jet Legend under the Second Letter Agreement, when aggregated with the previous continuing connected transactions contemplated under the 2015 TCS Project Management Agreement, the 2015 TCS Prime Cost Contract, the 2015 TCS Sales Management Agreement and the 2015 Letter Agreement, exceed 0.1% but less than 5% on an annual basis, and those transactions are on normal commercial terms, such transaction is only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction under the Second Letter Agreement will be included in the next published annual report of the Company. The Company will also observe the annual review and other requirements regarding continuing connected transactions under Chapter 14A of the Listing Rules, if and when applicable, from time to time.

CONTINUING CONNECTED TRANSACTION

I. THE SECOND LETTER AGREEMENT

Reference is made to the 2015 Announcement, relating to, among other things, the tenancy arrangement under the 2015 Letter Agreement between Jet Legend and HPAL which expired on 4 January 2017. Pursuant to the 2015 Letter Agreement, HPAL acted as agent of Jet Legend and Jet Legend was the principal under the Miramar/HPAL Agreement with Shahdan in respect of the Premises for use as show flats and sales office for the sale of the residential units of the TCS Property.

In view of the continuation of the use of the Premises as show flats and sales office for the sale of the residential units of the TCS Property, Jet Legend and HPAL have on 6 January 2017 entered into the Second Letter Agreement pursuant to which in respect of the period from 5 January 2017 to the Completion Date, HPAL would continue to act as agent of Jet Legend and Jet Legend would continue to be the principal under the Miramar/HPAL Agreement with Shahdan in respect of the Premises.

The principal terms of the Second Letter Agreement are set out as follows:

- 1. Date** 6 January 2017
- 2. Parties** Jet Legend
HPAL (the tenant under the Miramar/HPAL Agreement)
- 3. Premises** Portions of Shops 501-502 and 503A-C, 5th Floor, Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
- 4. Term** Commencing from 5 January 2017 to the Completion Date.
- 5. Rent and other charges** The rent and other charges payable under the Second Letter Agreement have been determined on the basis of the terms of the Miramar/ HPAL Agreement:
 - (i) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK\$193,610.00;
 - (ii) Government rates during the term is HK\$17,119.20 per quarter subject to review by the Government of Hong Kong from time to time;
 - (iii) aggregate monthly management fee and air-conditioning charges (subject to periodic review by HPAL with reference to the periodic review by Shahdan or its designated management company of the subject premises under the Miramar/HPAL Agreement) during the term is HK\$37,403.16;
 - (iv) monthly promotion contribution (subject to periodic review by HPAL with reference to the periodic review by Shahdan) during the term is HK\$2,904.15; and
 - (v) Reinstatement cost for the sales office is HK\$600,000.00.
- 6. Purpose** To continue to provide Jet Legend with the Premises as venue for the show flats and sales office for the sale of the residential units of the TCS Property.

7. Cap Amount of the Second Letter Agreement

The Board expects that the aggregate rents, fees and other charges (exclusive of Government rates) payable by Jet Legend to HPAL under the transaction contemplated under the Second Letter Agreement will not exceed the below cap amount. The cap amount was determined with reference to the aggregate amounts of rents, management fees, air-conditioning charges, the promotion contribution together with other charges payable under the Second Letter Agreement, which will be paid by the Group out of its internal resources:

Term	Cap Amount HK\$
For the period from 5 January 2017 to 4 May 2017	1,700,000

II. REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND LETTER AGREEMENT

Pursuant to the 2015 TCS Sales Management Agreement, HPAL has been appointed as the sales manager in respect of the TCS Property. In order to provide such services, it is necessary for HPAL to set up show flats and sales office for sale of the residential units of the TCS Property. The Group is of the view that Miramar Shopping Centre provides suitable premises for sales office of the sale of the residential units of the TCS Property because of its location and ancillary facilities and therefore it is appropriate to continue to rent the Premises for use as the show flats and the sales office for the sale of the residential units of the TCS Property.

The terms of the Second Letter Agreement were determined after arm's length negotiations between the parties and after making reference to the rents and other charges payable by HPAL under the Miramar/HPAL Agreement in respect of the tenancy arrangement of Shops 501-502 and 503A-C, 5th Floor, Miramar Shopping Centre, of which the Premises form part.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Second Letter Agreement have been negotiated and arrived at on an arm's length basis, the transaction contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Second Letter Agreement (including the annual cap thereunder) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

A connected transaction committee comprising all the independent non-executive Directors and Mr. Wong Man Kong, Peter, a non-executive Director (the "Connected Transaction Committee") was set up by the Board to review and approve, among others, continuing connected transaction(s) of the Company. Mr. Wu King Cheong is a common director of all of the Company, Henderson Land and Miramar. Mr. Leung Hay Man is a common director of both the Company and Henderson Land. Mr. Ho Hau Chong, Norman is a common director of both the Company and Miramar. All of them did not take part in voting on the resolutions approving the transaction contemplated under the Second Letter Agreement at the meeting of the Connected Transaction Committee.

Dr. Lee Shau Kee and Mr. Li Ning are regarded as materially interested in the Second Letter Agreement through their interest or deemed interest in shares in Henderson Land and through Henderson Land's interest in Miramar. As they were not members of the Connected Transaction Committee, they did not participate in the meeting of the Connected Transaction Committee where the Second Letter Agreement and the transaction contemplated thereunder were reviewed and approved.

III. LISTING RULES IMPLICATIONS

HPAL is an indirect wholly-owned subsidiary of Henderson Land. Henderson Land is a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 33.4% of the issued shares of the Company. Therefore, HPAL is a connected person of the Company under the Listing Rules. The entering into of the Second Letter Agreement by Jet Legend and the transaction contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transaction contemplated under the Second Letter Agreement calculated by reference to the aggregate sum of rents, fees and other charges (exclusive of Government rates) payable by Jet Legend under the Second Letter Agreement, when aggregated with the previous continuing connected transactions contemplated under the 2015 TCS Project Management Agreement, the 2015 TCS Prime Cost Contract, the 2015 TCS Sales Management Agreement and the 2015 Letter Agreement, exceed 0.1% but less than 5% on an annual basis, and those transactions are on normal commercial terms, such transaction is only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction under the Second Letter Agreement will be included in the next published annual report of the Company. The Company will also observe the annual review and other requirements regarding continuing connected transactions under Chapter 14A of the Listing Rules, if and when applicable, from time to time.

GENERAL INFORMATION

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses and securities investment.

Henderson Land is an investment holding company and the principal activities of its subsidiaries are property development and investment, construction, hotel operation, finance, department store operation, project management, investment holding and property management.

The principal activity of HPAL is property sales agency services.

The principal business of Shahdan is property leasing.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“2015 Announcement” the announcement of the Company dated 30 October 2015 in which, among other things, the terms of the 2015 TCS Project Management Agreement, the 2015 TCS Prime Cost Contract, the 2015 TCS Sales Management Agreement and the 2015 Letter Agreement were summarized;

“2015 Letter Agreement” the letter agreement dated 30 October 2015 entered into between Jet Legend and HPAL in respect of the leasing of the Premises for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property to be sold is sold, for use as show flats and sales office for the sale of the residential units of the TCS Property, as disclosed in the 2015 Announcement;

“2015 TCS Prime Cost Contract”	the prime cost contract dated 30 October 2015 entered into between Jet Legend and Heng Tat in respect of, among other things, the appointment of Heng Tat as the main contractor of the Proposed TCS Development, as disclosed in the 2015 Announcement;
“2015 TCS Project Management Agreement”	the project management agreement dated 30 October 2015 entered into between Jet Legend and HREAL in respect of, among other things, the appointment of HREAL as the project manager of the Proposed TCS Development, as disclosed in the 2015 Announcement;
“2015 TCS Sales Management Agreement”	the sales management agreement dated 30 October 2015 entered into between Jet Legend and HPAL in respect of, among other things, the appointment of HPAL as the sales manager in respect of the TCS Property, as disclosed in the 2015 Announcement;
“Board”	the board of Directors;
“Company”	Hong Kong Ferry (Holdings) Company Limited 香港小輪（集團）有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 50);
“Completion Date”	the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property to be sold is sold;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Henderson Land”	Henderson Land Development Company Limited 恒基兆業地產有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 12);
“Henderson Land Group”	Henderson Land and its subsidiaries;
“Heng Tat”	Heng Tat Construction Company Limited 恒達建築有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HPAL”	Henderson Property Agency Limited 恒基物業代理有限公司, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of HREAL and an indirect wholly-owned subsidiary of Henderson Land;
“HREAL”	Henderson Real Estate Agency Limited 恒基兆業地產代理有限公司, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Henderson Land;

“Jet Legend”	Jet Legend Limited 晉樂有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Miramar”	Miramar Hotel and Investment Company, Limited 美麗華酒店企業有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 71);
“Miramar/HPAL Agreement”	the agreement entered into between Shahdan as landlord and HPAL as tenant in respect of the tenancy of Shops 501-502 and 503A-C, 5th Floor, Miramar Shopping Centre (of which the Premises form part) dated 10 July 2014, as disclosed in the announcement of Miramar dated 10 July 2014;
“Miramar Shopping Centre”	Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong;
“Premises”	Portions of Shops 501-502 and 503A-C, 5th Floor, Miramar Shopping Centre;
“Proposed TCS Development”	the comprehensively planned development consisting of residential component together with ancillary supporting facilities on the TCS Property;
“Second Letter Agreement”	the letter agreement dated 6 January 2017 entered into between Jet Legend and HPAL in respect of the leasing of the Premises for the period from 5 January 2017 to the Completion Date, for use as show flats and sales office for the sale of the residential units of the TCS Property;
“Shahdan”	Shahdan Limited 正信有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Miramar;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TCS Property”	all that piece or parcel of ground registered in the Land Registry of Hong Kong as New Kowloon Inland Lot Nos. 48 sB RP, sB ssl RP, RP, sI & sH;
“%”	per cent.

By Order of the Board
Yuen Wai Kuen
 Company Secretary

Hong Kong, 6 January 2017

As at the date of this announcement, the executive directors of the Company are Dr. Lam Ko Yin, Colin (Chairman) and Mr. Li Ning; the non-executive directors are Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Dr. Lee Shau Kee and Mr. Wong Man Kong, Peter; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.