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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

RENEWAL OF TENANCY

Reference is made to the 2017 Announcement relating to, among other things, the continuing connected transaction under the 2017 Renewal Offer Letter (B). The term of the tenancy of the Premises under the Existing Tenancy Agreement will expire on 30 June 2020.

HREAL, as agent of the landlord (HPI and LF, both being wholly-owned subsidiaries of the Company) and Citistore (as tenant) entered into the 2020 Renewal Offer Letter on 9 June 2020 for renewal of the tenancy of the Premises for a term of one year commencing on 1 July 2020.

Citistore is a wholly-owned subsidiary of Henderson Investment, which is in turn a non-wholly owned subsidiary of Henderson Land. HREAL is a 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 33.41% of the issued shares of the Company. Therefore, Citistore and HREAL are connected persons of the Company. The entering into of the 2020 Renewal Offer Letter and the Transactions constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Annual Caps for the Transactions exceeds 0.1% but is less than 5%, and the Transactions are conducted on normal commercial terms, the Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

Reference is made to the 2017 Announcement relating to, among other things, the continuing connected transactions under the 2017 Renewal Offer Letter (B). As the term of the tenancy of the Premises under the Existing Tenancy Agreement will expire on 30 June 2020, the 2020 Renewal Offer Letter was entered into on 9 June 2020, the principal terms of which are set out below.

2. THE 2020 RENEWAL OFFER LETTER

Parties : HREAL, as agent of the landlord (HPI and LF); and
Citistore (as tenant).

Date : 9 June 2020.

- Premises** : Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong.
- Term** : One year commencing on 1 July 2020 and ending on 30 June 2021.
- Gross floor area** : 39,955 square feet.
- Monthly rental** : Basic rent and turnover rent (both as described below).
- Basic rent** : HK\$318,000 per month (payable in advance on the 1st day of each calendar month; and exclusive of Government rates, management fee, air-conditioning charge and other miscellaneous charges).
- Turnover rent** : If the annual gross turnover of the business of Citistore conducted at the Premises without any deduction exceeds HK\$70,000,000, the turnover rent shall be 7% of the excess of such annual gross turnover over HK\$70,000,000. If the gross turnover of the business of Citistore conducted at the Premises does not exceed HK\$5,833,333.33 in any month, no turnover rent shall be payable for that month but the deficit shall not be carried over to the next month. The turnover rent shall be payable monthly in arrears and reconciled on an annual basis.
- Government rates** : HK\$14,750 per month (subject to Government's review) will be paid by Citistore.
- Management fee** : HK\$120,664.10 per month, subject to periodic review.
- Air-conditioning charge** : HK\$141,041.20 per month, subject to periodic review.
- Formal agreement** : A formal tenancy renewal agreement shall be executed by the parties pursuant to the terms and conditions of the 2020 Renewal Offer Letter. If the formal tenancy renewal agreement is not executed by Citistore within 14 days upon notification by HREAL (as agent of HPI and LF) that the formal tenancy renewal agreement is ready for execution, HREAL (as agent of HPI and LF) shall be entitled to treat the terms of the 2020 Renewal Offer Letter and such terms and conditions of the Existing Tenancy Agreement (other than the break clause) so far as they are applicable as a final tenancy agreement binding on the parties.

The terms of the 2020 Renewal Offer Letter were negotiated and arrived at on an arm's length basis with reference to prevailing market leasing terms and conditions and the basic rent of the Premises was determined with reference to the market rental value of the Premises as assessed by a third party property valuer.

3. ANNUAL CAPS

The Company estimates that the aggregate amounts of rentals (basic rent and anticipated maximum turnover rents), management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) receivable under the 2020 Renewal Offer Letter will not exceed the following maximum figures (the “Annual Caps”):

Period	Annual Caps (HK\$)
For the year ending 31 December 2020	5,408,000 ⁽¹⁾
For the year ending 31 December 2021	5,408,000 ⁽²⁾

Notes:

(1) This annual cap relates to the period from 1 July 2020 to 31 December 2020.

(2) This annual cap relates to the period from 1 January 2021 to 30 June 2021.

The Annual Caps have been arrived at based on the amounts estimated to be receivable under the 2020 Renewal Offer Letter for the period from 1 July 2020 to 30 June 2021 as described above, together with a buffer for adjustments to the amounts receivable. The historical transaction amounts of rentals, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) received under the Existing Tenancy Agreement for each of the financial years ended 31 December 2017, 2018 and 2019 were approximately HK\$2,886,000, HK\$5,867,000 and HK\$5,993,000 respectively.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2020 RENEWAL OFFER LETTER

Citistore, a renowned brand name of department store in Hong Kong, has been in operation as a department store at Metro Harbour Plaza since 2006. The Board considers that entering into the 2020 Renewal Offer Letter benefits the Group as Citistore’s operation helps to maintain the image of Metro Harbour Plaza as a first class shopping mall in the Tai Kok Tsui area.

The Directors (including the independent non-executive Directors) consider that the terms of the 2020 Renewal Offer Letter and the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms and conditions of the 2020 Renewal Offer Letter (including the Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

5. LISTING RULES IMPLICATIONS

Citistore is a wholly-owned subsidiary of Henderson Investment, which is in turn a non-wholly owned subsidiary of Henderson Land. HREAL is a 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 33.41% of the issued shares of the Company. Therefore, Citistore and HREAL are connected persons of the Company. The entering into of the 2020 Renewal Offer Letter and the Transactions constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Dr. Lam Ko Yin, Colin, Mr. Au Siu Kee, Alexander and Mr. Wu King Cheong are common directors of the Company, Henderson Land and Henderson Investment. Mr. Li Ning is a common director of the Company and Henderson Investment, and is also regarded as materially interested in the 2020 Renewal Offer Letter through his interest or deemed interest in shares in Henderson Land and through Henderson Land's interest in Henderson Investment. Accordingly, Dr. Lam, Mr. Au and Mr. Wu, for good corporate governance practice and on voluntary basis, and Mr. Li did not participate in making decisions and did not vote in the meeting of the Board where the 2020 Renewal Offer Letter (including the Annual Caps) and the Transactions were reviewed and approved.

Save as disclosed above, none of the Directors has a material interest in the Transactions.

As the highest of the applicable percentage ratios in respect of the Annual Caps for the Transactions exceeds 0.1% but is less than 5%, and the Transactions are conducted on normal commercial terms, the Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. GENERAL INFORMATION

The principal business activity of the Company is investment holding, and the principal business activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses and securities investment.

Henderson Investment is an investment holding company and the principal business activities of its subsidiaries are investment holding, and supermarket and department store operation.

Henderson Land, being ultimately controlled by the private family trusts of Dr. Lee Shau Kee, is an investment holding company and the principal business activities of its subsidiaries are property development and investment, construction, project management, property management, finance, department store operation and investment holding.

The principal business activity of Citistore is department store operations.

The principal business activity of HPI is property investment.

The principal business activities of HREAL are provision of financial, management and agency services.

The principal business activities of LF are property development, investment and financing.

7. DEFINITIONS

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

“2017 Announcement”	the announcement of the Company dated 23 June 2017 in which, among other things, the terms of the 2017 Renewal Offer Letter (B) were summarised;
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“2017 Renewal Offer Letter (B)”	the renewal offer letter (B) dated 23 June 2017 issued by Citistore as tenant to HREAL as agent of the landlord (HPI and LF) in respect of the leasing of the Premises for three years from 1 July 2017 to 30 June 2020, as disclosed in the 2017 Announcement;
“2020 Renewal Offer Letter”	the renewal offer letter dated 9 June 2020 issued by Citistore as tenant to HREAL as agent of the landlord (HPI and LF) in respect of the leasing of the Premises for one year from 1 July 2020 to 30 June 2021;
“Annual Caps”	has the meaning ascribed to it in the section headed “ANNUAL CAPS” of this announcement;
“Board”	the board of Directors;
“Citistore”	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Investment and a non-wholly owned subsidiary of Henderson Land;
“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);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Tenancy Agreement”	the tenancy agreement dated 15 January 2018 entered into between HPI and LF (collectively as landlord) and Citistore (as tenant) pursuant to the 2017 Renewal Offer Letter (B);
“Government”	the government of Hong Kong;
“Group”	the Company and its subsidiaries;
“Henderson Investment”	Henderson Investment Limited 恒基兆業發展有限公司, 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: 97);

“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);
“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;
“HPI”	HKF Property Investment Limited 香港小輪物業投資有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“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 wholly-owned subsidiary of Henderson Land;
“LF”	Lenfield Limited 良輝有限公司, 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;
“Metro Harbour Plaza”	all that portion of area designed for commercial use as more particularly defined under the deed of mutual covenant of the property known as the “Metro Harbour View” at the Remaining Portion of Kowloon Inland Lot No. 11127;
“Premises”	Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the transactions contemplated under the 2020 Renewal Offer Letter; and
“%”	per cent.

By Order of the Board
Yuen Wai Kuen
Company Secretary

Hong Kong, 9 June 2020

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 and Mr. Lau Yum Chuen, Eddie; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.