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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTIONS

LF and HPI, both wholly-owned subsidiaries of the Company, have on 19 December 2002 entered into the Leasing and Shopping Arcade Promotion Agency Deed with HREAL pursuant to which LF and HPI, being owners of the Property, appoint HREAL as the leasing and promotion agent for the Commercial Development for a term of two years from 19 December 2002 and shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing.

The transactions contemplated under the Leasing and Shopping Arcade Promotion Agency Deed constitute ongoing connected transactions under Chapter 14 of the Listing Rules. As the Ongoing Connected Transactions will take place from time to time on a regular basis, the Directors consider that public disclosure of every transaction as it arises, in full compliance with the Listing Rules would be impractical and burdensome. Accordingly, the Company is applying to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules in relation to the transactions to be carried out pursuant to the Leasing and Shopping Arcade Promotion Agency Deed. Details of the Ongoing Connected Transactions will be included in the annual report and accounts of the Company for the financial year 2002 and any relevant subsequent financial years in accordance with Rule 14.25 (1)(A) to (D) of the Listing Rules.

Particulars of the Leasing and Shopping Arcade Promotion Agency Deed

Parties: LF and HPI
HREAL

Date: 19 December 2002

Main Terms:

LF and HPI appoint HREAL as the leasing and promotion agent in respect of the Commercial Development on the agreed Remuneration to HREAL for a term of two years from 19 December 2002 and shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing.

The Remuneration to HREAL shall be payable on a monthly basis and is equivalent to 5% of the monthly rental income (exclusive of rates, management fees, air-conditioning charges and other charges payable monthly by the tenants of the Commercial Development) from the Commercial Development provided that the Remuneration to HREAL for the first two years from the date of the Leasing and Shopping Arcade Promotion Agency Deed shall not exceed HK\$4,380,000.

The basis of determining the Remuneration to HREAL was determined by LF, HPI and HREAL on arm's length basis with reference to the market rate chargeable by other leasing and promotion agent. The Remuneration to HREAL will be paid by LF and HPI out of the rental receivable from the Commercial Development.

Reason for entering into the Leasing and Shopping Arcade Promotion Agency Deed

The Property is in the course of development and the first phase of the development which comprises five blocks of residential buildings, certain car parking spaces and part of the Commercial Development is expected to be completed by early 2003. The second phase which comprises the remaining part of the development is anticipated to be completed by late 2003. In order to develop the Commercial Development into a high class shopping arcade to meet with the needs of the prospective owners, occupiers, and other visitors of the Property, a leasing agent shall be appointed to promote the Commercial Development and to administer all tenancy matters in relation to the Commercial Development.

The Directors consider that HREAL is well-experienced in leasing agency and of good reputation. They are confident that with the assistance of HREAL, being a subsidiary of HLD, the Group would derive optimum rental income from the Commercial Development. The principal business of HREAL is property agency. The Directors, including the independent non-executive directors, are of the view that the terms of the Leasing and Shopping Arcade Promotion Agency Deed are fair and reasonable so far as the shareholders of the Company are concerned and are on normal commercial terms.

General Information for shareholders

The Company's principal activity is investment holding and the Group's principal activities are property development, property investment, ferry service, shipyard operation, travel agency and hotel operation. As HREAL is a wholly-owned subsidiary of HLD which through its subsidiaries beneficially owns approximately 73.48% of the entire issued share capital of HI, a substantial shareholder of the Company, the entering into of the Leasing and Shopping Arcade Promotion Agency Deed constitutes a connected transaction for the Company under Rule 14.23(1)(a) of the Listing Rules. The annual maximum Remuneration to HREAL for the two-year term of the Leasing and Shopping Arcade Promotion Agency Deed commencing from 19 December 2002 will not exceed 3% of the net tangible assets of the Group as at 30 June 2002 as appeared in the latest published accounts of the Group. Accordingly, no independent shareholders' approval is required and the Ongoing Connected Transactions are required to be disclosed in accordance with Rule 14.25(1) of the Listing Rules.

Application for Waiver

As the Ongoing Connected Transactions will take place from time to time on a regular basis, the Directors consider that public disclosure of every transaction as it arises, in full compliance with the Listing Rules would be impractical and burdensome. Accordingly, the Company is applying to the Stock Exchange for a

waiver from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules in relation to the transactions to be carried out pursuant to the Leasing and Shopping Arcade Promotion Agency Deed.

The Company will include details of the Ongoing Connected Transactions in its annual report and accounts for the financial year 2002 and any relevant subsequent financial years pursuant to Rule 14.25(1)(A) to (D) of the Listing Rules.

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

"Commercial Development"	all that portion of area more particularly defined under the Deed of Mutual Covenant of the Property designed for commercial use
"Company"	Hong Kong Ferry (Holdings) Company Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
"Deed of Mutual Covenant"	a deed of mutual covenant in respect of the Property
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HI"	Henderson Investment Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
"HK\$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HLD"	Henderson Land Development Company Limited, a limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
"HPI"	HKF Property Investment Limited, a limited company incorporated in Hong Kong
"HREAL"	Henderson Real Estate Agency Limited, a limited company incorporated in Hong Kong
"Leasing and Shopping Arcade Promotion Agency Deed"	a deed dated 19 December 2002 between LF and HPI and HREAL in respect of the appointment of HREAL as the leasing and promotion agent in respect of the Commercial Development
"LF"	Lenfield Limited, a limited company incorporated in Hong Kong
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Ongoing Connected Transactions"	the provision of the services as leasing and promotion agent of the Commercial Development by HREAL to LF and HPI in accordance with the Leasing and Shopping Arcade Promotion Agency Deed
"Property"	the development known as "Metro Harbour View" at the Remaining Portion of Kowloon Inland Lot No. 11127, 8 Fuk Lee Street, Kowloon, Hong Kong
"Remuneration to HREAL"	the remuneration payable to HREAL in accordance with the terms of the Leasing and Shopping Arcade Promotion Agency Deed
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By order of the Board
Law Cho Wa, Richard
Company Secretary

Hong Kong 20 December 2002