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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00050)

CONTINUING CONNECTED TRANSACTIONS

LF and HPI, both wholly-owned subsidiaries of the Company, on 14 September 2006 entered into the Citistore Lease Agreement with Citistore pursuant to which LF and HPI as landlord agreed to lease, and Citistore as tenant agreed to take the lease of, Premises A for a term of three years commencing from 1 July 2006. Pursuant to the Citistore Lease Agreement, on 14 September 2006, LF and HPI as licensor entered into the Licence Agreements with Citistore as licensee in respect of the licensing of certain signages at Metro Harbour Plaza for a term of three years commencing from 1 July 2006.

Furthermore, LF and HPI, have on 14 September 2006 entered into the Sales Office Lease Agreement with HREAL pursuant to which LF and HPI as landlord agreed to lease, and HREAL as tenant agreed to take the lease of, Premises B for a term of two years commencing from the second day from the date of the written notice from LF and HPI or their solicitor to HREAL.

The Lease Agreements and the Licence Agreements constitute continuing connected transactions under Rule 14A.14 of the Listing Rules. As the applicable percentage ratios of the annual caps of the aggregate of the Lease Agreements and the Licence Agreements are on an annual basis more than 0.1 per cent. but less than 2.5 per cent., such continuing connected transactions are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules. Pursuant to Rule 14A.46 of the Listing Rules, details of the Lease Agreements and the Licence Agreements will be included in the next published annual report of the Company.

1. CITISTORE LEASE AGREEMENT

Parties : LF and HPI (as landlord)

Citistore (as tenant), which is a connected person of the Company within the meaning of the Listing Rules by virtue of the facts referred to in paragraph 6 headed "Connected persons and requirements of the Listing Rules" below

Date : 14 September 2006

Premises A	: Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, and Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, No. 8 Fuk Lee Street, Kowloon, Hong Kong.
Term	: Three years commencing from 1 July 2006 and ending on 30 June 2009, both days inclusive
Gross floor area	: Approximately 90,760 square feet
Monthly rental	: Basic rent and turnover rent (both as mentioned below)
Basic rent	: Fixed monthly rent of HK\$356,990 (which is exclusive of management fees, air-conditioning charges, government rates and promotion levy)
Turnover rent	: 7% of annual gross turnover of Citistore's business conducted at Premises A over HK\$142,240,560 if the annual gross turnover of such business without any deduction exceeds HK\$142,240,560, and such turnover rent shall be payable monthly in arrears
Rent-free period	: 3 months starting from 1 July 2006 and during this period, no basic rent is payable but turnover rent will (if applicable) be payable
Management fee	: HK\$256,850.80 per month
Air-conditioning fee	: HK\$207,840.40 per month
Promotional levy	: HK\$7,139.80 per month
Payments	: Payments to be in the form of cash
Premises A usage	: Use as a department store under the name of "Citistore" only
Formal agreement	: A formal tenancy agreement shall be signed by the parties pursuant to the terms and conditions of the Citistore Lease Agreement. If the terms of the formal tenancy agreement cannot be mutually agreed between both parties, the Citistore Lease Agreement shall be treated as a final and binding document.

2. LICENCE AGREEMENTS

Pursuant to the Citistore Lease Agreement, on 14 September 2006, LF and HPI entered into: (i) the Wall Signage Licence Agreement with Citistore pursuant to which LF and HPI agreed to license to Citistore, and Citistore agreed to license from LF and HPI, six external wall signages at Metro Harbour Plaza for a licence fee of HK\$1,000 per month for each signage; and (ii) the Entrance Signage Licence Agreement with Citistore pursuant to which LF and HPI agreed to license to Citistore, and Citistore agreed to license from LF and HPI, four signages at the entrances of Metro Harbour Plaza for a licence fee of HK\$500 per month for each signage. Total annual licence fee payable under the Wall Signage Agreement is HK\$72,000 and under the Entrance Signage Licence Agreement is HK\$24,000. Payments under the Licence Agreements are to be made in the form of cash. No other fees are payable by licensee to licensor under the Licence Agreements. Each of the Licence Agreements is for a fixed term of 3 years commencing from 1 July 2006 and ending on 30 June 2009.

3. SALES OFFICE LEASE AGREEMENT

Parties	: LF and HPI (as landlord) HREAL (as tenant), which is a connected person of the Company within the meaning of the Listing Rules by virtue of the facts referred to in paragraph 6 headed “Connected persons and requirements of the Listing Rules” below
Date	: 14 September 2006
Premises B	: Portion of Shop Nos. G51-G52, G53, G56-G57, G59-G62, and corridor on Ground Floor, Metro Harbour Plaza, No. 8 Fuk Lee Street, Kowloon, Hong Kong.
Term	: Two years commencing from the second day from the date of the written notice from LF and HPI or their solicitor to HREAL, such notice has not yet been given but is expected to be given sometime in the fourth quarter 2006. Further announcement will be made once the period of the Sales Office Lease Agreement has been determined.
Gross floor area	: Approximately 12,235 square feet
Monthly rental	: Fixed monthly rent of HK\$200,520 (which is exclusive of management fees, air-conditioning charges, government rates and promotion levy)
Rent-free period	: 2 months starting from the date of commencement of the lease
Management fee	: HK\$38,540.30 per month

Air-conditioning fee	: HK\$29,975.80 per month
Promotional levy	: HK\$4,010.40 per month
Payments	: Payments to be in the form of cash
Premises B usage	: Use as a sales office only
Formal agreement	: A formal tenancy agreement shall be signed by the parties pursuant to the terms and conditions of the Sales Office Lease Agreement. If the terms of the formal tenancy agreement cannot be mutually agreed between both parties, the Sales Office Lease Agreement shall be treated as a final and binding document.

4. ANNUAL CAPS

The annual caps of the aggregate of the Citistore Lease Agreement, the Sales Office Lease Agreement (together the “**Lease Agreements**”), the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement (together the “**Licence Agreements**”) are based on the aggregate rentals (basic rent and (in the case of the Citistore Lease Agreement) anticipated maximum turnover rent), management fees, air-conditioning charges, promotional levy and other miscellaneous fees in relation to Premises A and Premises B payable under the Lease Agreements after taking into account possible adjustments of the management fees and air-conditioning charges during the term of the Sales Office Lease Agreement, as well as the licence fees payable under the Licence Agreements. Based on sales data from other Citistore department stores and the estimated consumption power of the Taikoktsui region, the maximum turnover rent in respect of Premises A is anticipated to be about HK\$360,000 per month. Based on the aforesaid, the annual caps for the Lease Agreements and the Licence Agreements from 1 July 2006 are as follows:-

For the period from 1 July 2006 to 30 June 2007 — HK\$17,400,000
For the period from 1 July 2007 to 30 June 2008 — HK\$19,000,000
For the period from 1 July 2008 to 30 June 2009 — HK\$17,100,000

The reason for the different annual caps for the three years is due to the inclusion of the rent-free period for 3 months and 2 months under the Citistore Lease Agreement and the Sales Office Lease Agreement respectively for the first year, and the expiration of the Sales Office Lease Agreement sometime in the third year. However, as the date of commencement of the Sales Office Lease Agreement has not yet been determined, some buffer has been provided in the annual cap for the third year. The annual cap for the second year is the highest due to the fact that all Lease Agreements and Licence Agreements will be effective for the full year with no rent-free period during the year.

5. REASONS FOR ENTERING INTO THE LEASE AGREEMENTS AND LICENCE AGREEMENTS

LF and HPI, being the landlord of Metro Harbour Plaza, intend to alter the configuration of tenants in Metro Harbour Plaza to enhance the rental income and to increase the occupancy rate. As Citistore is a renowned brand name of department stores in Hong Kong, it would help upgrade and enhance the image of Metro Harbour Plaza as a first class shopping mall in the Taikoktsui area.

To improve the occupancy rate of Metro Harbour Plaza, LF and HPI have leased the vacant Premises B to HREAL for use as a sales office.

The terms of the Lease Agreements were negotiated and arrived at on an arm's length basis and in the ordinary and usual course of business with reference to the prevailing market leasing terms and conditions (including the calculation of the rent), which was supported by an advice from a third party property valuer obtained in August 2006. The property valuer, being an international firm of Chartered Surveyors, is not connected with the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates within the meaning of the Listing Rules. The property valuer is not connected with Henderson Land or any of its associates. The terms of the Licence Agreements were also negotiated and arrived at on an arm's length basis and in the ordinary and usual course of business with reference to market terms.

The Directors (including the independent non-executive Directors) consider that the terms of the Lease Agreements and the Licence Agreements are on normal commercial terms and no less favourable to LF and HPI than to those available from independent third parties and the transactions contemplated therein are fair and reasonable and in the interests of the Company and were arrived at on an arm's length basis. The Directors, excluding Dr. Lee Shau Kee and Mr. Li Ning who have abstained from voting pursuant to the Articles of Association of the Company but including all the independent non-executive directors, consider that they are fair and reasonable to the shareholders of the Company as a whole and in the interests of the Company. Dr. Lee Shau Kee and Mr. Li Ning are regarded as interested in the Lease Agreements and the Licence Agreements through their interest or deemed interest in shares in Henderson Land.

6. CONNECTED PERSONS AND REQUIREMENTS OF THE LISTING RULES

Both Citistore and HREAL are wholly-owned subsidiaries of Henderson Land, the subsidiaries of which beneficially own in aggregate approximately 67.94 per cent. of the entire issued share capital of Henderson Investment, a substantial shareholder (as defined in the Listing Rules) of the Company, and the subsidiaries of Henderson Investment in turn hold approximately 31.36 per cent. of the entire issued share capital of the Company. Therefore, Citistore and HREAL are connected persons of the Company under the Listing Rules. The entering into of the Lease Agreements and the Licence Agreements by LP and HPI constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios for the annual caps of the aggregate of the Lease Agreements and the Licence Agreements are on an annual basis more than 0.1 per cent. but less than 2.5 per cent., such continuing connected transactions are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules. Pursuant to Rule 14A.46 of the Listing Rules, details of the Lease Agreements and the Licence Agreements will be included in the next published annual report of the Company. The Company shall comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate annual consideration receivable by LF and HPI under the Lease Agreements or the Licence Agreements during the relevant periods exceeds the relevant annual caps, or when any of the Lease Agreements or Licence Agreements are renewed or there is a material change to the terms of any of the Lease Agreements or the Licence Agreements.

The commencement date of the Citistore Lease Agreement and the Licence Agreements is 1 July 2006. Even though Citistore had earlier identified the relevant premises and signages which they wished to lease and license respectively, the major terms of the Citistore Lease Agreement and the Licence Agreements were only finalized around the time of execution of the agreements on 14 September 2006. Prior to execution of the agreements, the Group had not received any consideration (including rent, management fees, air-conditioning fees, promotional levy, licence fees) from Citistore. Furthermore, under the Citistore Lease Agreement, the first three months of the lease term are rent-free, and the licence fees payable under the Licence Agreements for the period from 1 July 2006 to 14 September 2006 would (on a pro rata basis) constitute less than 0.1 per cent of the applicable percentage ratios. Therefore, the Company was not required to make announcement under Chapter 14A of the Listing Rules prior to execution of the Lease Agreements and the Licence Agreements.

7. GENERAL INFORMATION FOR SHAREHOLDERS

The Group is principally engaged in the businesses of property development and investment, hotel management, shipyard operations, travel agency and ferry operations.

Henderson Land is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, project management, building construction, property management, infrastructure, hotel operation, department store operation, finance and investment holding. The principal activities of Citistore are department store business. The principal activities of HREAL are property management and agency services.

DEFINITIONS

“Citistore”	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land
“Citistore Lease Agreement”	an agreement dated 14 September 2006 between LF and HPI as landlord and Citistore as tenant in respect of the leasing of Premises A
“Company”	Hong Kong Ferry (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Entrance Signage Licence Agreement”	the licence agreement dated 14 September 2006 entered into between LF and HPI as licensor and Citistore as licensee in respect of the licensing of four signages at the entrance of Metro Harbour Plaza
“Group”	the Company and its subsidiaries
“Henderson Investment”	Henderson Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Henderson Land”	Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“HPI”	HKF Property Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“HREAL”	Henderson Real Estate Agency Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land
“Lease Agreements”	the Citistore Lease Agreement and the Sales Office Lease Agreement
“Licence Agreements”	the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement
“LF”	Lenfield Limited, 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 A”	Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, and Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza
“Premises B”	Portion of Shop Nos. G51-G52, G53, G56-G57, G59-G62 and corridor on Ground Floor, Metro Harbour Plaza
“Sales Office Lease Agreement”	an agreement dated 14 September 2006 between LF and HPI as landlord and HREAL as tenant in respect of the leasing of Premises B
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wall Signage Licence Agreement”	the licence agreement dated 14 September 2006 entered into between LF and HPI as licensor and Citistore as licensee in respect of the licensing of six external wall signages at Metro Harbour Plaza
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Yuen Wai Kuen
Company Secretary

Hong Kong, 21 September 2006.

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