

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 5 July 2011 entered into (i) the Tenancy Renewal Agreement with Citistore pursuant to which LF and HPI as landlord and Citistore as tenant agreed to renew their tenancy in respect of the Premises for a term of three years commencing from 1 July 2011; and (ii) the Licence Agreements pursuant to which LF and HPI as licensors and Citistore as licensee agreed to license certain signages at the Metro Harbour Plaza for a term of three years commencing from 1 July 2011.

The transactions under the Tenancy Renewal Agreement and the Licence Agreements constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules. As all the applicable percentage ratios for the annual caps of the aggregate of the Tenancy Renewal Agreement and the Licence Agreements are on an annual basis more than 0.1 per cent. and less than 5 per cent., such continuing connected transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and in accordance with Rule 14A.34, are exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Pursuant to Rule 14A.46 of the Listing Rules, details of the Tenancy Renewal Agreement and the Licence Agreements will be included in the next published annual report of the Company.

1. INTRODUCTION

Reference is made to the 2009 Lease Agreement and the 2009 Licence Agreements, details of which were disclosed in the announcement of the Company dated 14 July 2009. The term under each of the 2009 Lease Agreement and the 2009 Licence Agreements has expired on 30 June 2011.

The board of Directors announces that LF, HPI and Citistore entered into the Tenancy Renewal Agreement and the Licence Agreements on 5 July 2011, the particulars of which are set out below.

2. THE TENANCY RENEWAL AGREEMENT

- Parties** : HREAL (as agent of 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 person and requirements of the Listing Rules” below.
- Date** : 5 July 2011
- The Premises** : 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, Tai Kok Tsui, Kowloon, Hong Kong.
- Term** : Three years commencing from 1 July 2011 and ending on 30 June 2014, both days inclusive.
- Gross floor area** : Approximately 90,760 square feet.
- Monthly rental** : Basic rent and turnover rent (both as described below).
- Basic rent** : Fixed monthly rent of HK\$350,000.00 (which is exclusive of management fees, air-conditioning charges, Government rates and promotional levy).
- Turnover rent** : If the annual gross turnover of the business of Citistore conducted at the Premises without any deduction exceeds HK\$120,000,000.00, then the turnover rent shall be 7% of the excess of such annual gross turnover over HK\$120,000,000.00. The turnover rent shall be payable monthly in arrears and if the gross turnover of the business of Citistore does not exceed HK\$10,000,000.00 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 reconciled on an annual basis.
- Management fee** : HK\$137,047.60 per month. The management fee shall be fixed throughout the lease term.
- Break clause** : Landlord shall have the right to serve 7 months’ prior notice during the term to terminate the tenancy.

- Air-conditioning charge** : HK\$176,982.00 per month. The air-conditioning charge shall be fixed throughout the lease term.
- Promotional levy** : HK\$7,000.00 per month, subject to review.
- Government rates** : Government rates (HK\$18,000.00 per month, subject to Government's review) will be paid by Citistore as per the Government's assessment.
- Payments** : Payments to be made in the form of cash.
- Formal agreement** : A formal tenancy renewal agreement shall be executed by the parties pursuant to the terms and conditions of the Tenancy Renewal Agreement. If the formal tenancy renewal agreement is not executed by Citistore within 14 days upon notification by LF and HPI that the formal tenancy renewal agreement is ready for execution, LF and HPI shall be entitled to treat the terms of the Tenancy Renewal Agreement and such terms and conditions of the existing offer to lease so far as they are applicable as a final tenancy agreement binding on the parties.

3. LICENCE AGREEMENTS

On 5 July 2011, HREAL (as agent of 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, 14 external wall signages at Metro Harbour Plaza at a licence fee of HK\$5,000.00 per month with the break clause whereby the Landlord shall have the right to serve one month's prior notice during the term to terminate the licence. (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, one signage at the entrance of Metro Harbour Plaza for a licence fee of HK\$550.00 per month. The total annual licence fees payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are HK\$60,000.00 and HK\$6,600.00 respectively. Payments under the Licence Agreements are to be made in the form of cash. No other fees are payable by the licensee to the licensors under the Licence Agreements. Each of the Licence Agreements is for a fixed term of three years commencing from 1 July 2011 and ending on 30 June 2014 (both days inclusive).

4. ANNUAL CAPS

The board of Directors expect that the aggregate amounts of rentals (basic rent and anticipated maximum turnover rent), management fees, air-conditioning charges, promotional levy and other miscellaneous charges (exclusive of Government rates) payable under the Tenancy Renewal Agreement and the licence fees payable under the Licence Agreements will not exceed the following maximum figures (the “**Annual Caps**”):

For the period from 1 July 2011 to 31 December 2011:	HK\$4,800,000
For the period from 1 January 2012 to 31 December 2012:	HK\$9,500,000
For the period from 1 January 2013 to 31 December 2013:	HK\$9,500,000
For the period from 1 January 2014 to 30 June 2014:	HK\$4,800,000

Based on historical figures under the 2009 Lease Agreement, the maximum turnover rent in respect of the Premises is anticipated not to exceed about HK\$100,000 per month and the Annual Caps are arrived at accordingly.

5. REASONS FOR ENTERING INTO THE TENANCY RENEWAL AGREEMENT AND LICENCE AGREEMENTS

Citistore, a renowned brand name of department stores in Hong Kong, has been in operation as a department store in Metro Harbour Plaza since 2006. The board of Directors consider that entering into the Tenancy Renewal Agreement and the Licence Agreements benefits the Group as Citistore’s continued presence and operation helps to maintain the image of Metro Harbour Plaza as a first class shopping mall in the Taikoktsui area.

The terms of the Tenancy Renewal Agreement were negotiated and arrived at on an arm’s length basis and in the ordinary and usual course of business with reference to prevailing market leasing terms and conditions (including the calculation of the rent), which was supported by a valuation report from a third party property valuer. 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 all the independent non-executive Directors) consider that the terms of the Tenancy Renewal Agreement and the Licence Agreements are on normal commercial terms and in the ordinary and usual course of business of the Company. The Directors (including all the independent non-executive Directors) consider that the terms of the Tenancy Renewal Agreement and the Licence Agreements are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Dr. Lee Shau Kee and Mr. Li Ning are regarded as materially interested in the Tenancy Renewal Agreement and Licence Agreements through their interest or deemed interest in shares in Henderson Land. They are not members of the connected transaction committee of the Company, and did not take part in voting on the resolutions at the meeting of that committee approving the Tenancy Renewal Agreement and Licence Agreements and the transactions contemplated thereunder.

6. CONNECTED PERSON AND REQUIREMENTS OF THE LISTING RULES

Citistore is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, the subsidiaries of which beneficially own in aggregate approximately 31.36 per cent. of the entire issued share capital of the Company. Therefore, Citistore is a connected person of the Company under the Listing Rules. The transactions under the Tenancy Renewal Agreement and the Licence Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios for the annual caps of the aggregate of the Tenancy Renewal Agreement and the Licence Agreements are on an annual basis more than 0.1 per cent. and less than 5 per cent., such continuing connected transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and in accordance with Rule 14A.34, are exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Pursuant to Rule 14A.46 of the Listing Rules, details of the Tenancy Renewal Agreement and the Licence Agreements will be included in the next published annual report of the Company.

7. GENERAL INFORMATION FOR SHAREHOLDERS

The principal activities of the Group are property development and investment, ferry and related businesses, travel business and hotel operation and securities investment.

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

DEFINITIONS

“2009 Lease Agreement” the agreement dated 7 July 2009 between LF and HPI as landlord and Citistore as tenant in respect of the leasing of the Premises

“2009 Licence Agreements”	the entrance signage licence agreement dated 11 July 2009 entered into between LF and HPI as licensor and Citistore as licensee in respect of the licensing of one signage at the entrance of Metro Harbour Plaza and the wall signage licence agreement dated 11 July 2009 entered into between LF and HPI as licensor and Citistore as licensee in respect of the licensing of one external wall signage at Metro Harbour Plaza
“Citistore”	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land
“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 5 July 2011 entered into between HREAL (as agent of LF and HPI) as licensor and Citistore as licensee in respect of the licensing of one signage at the entrance of Metro Harbour Plaza
“Government”	the government of Hong Kong
“Group”	the Company and its subsidiaries
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“LF”	Lenfield Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Licence Agreements”	the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement

“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. 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Renewal Agreement”	the agreement dated 5 July 2011 entered into between HREAL (as agent of LF and HPI) as landlord and Citistore as tenant in respect of the leasing of the Premises
“Wall Signage Licence Agreement”	the licence agreement dated 5 July 2011 entered into between HREAL (as agent of LF and HPI) as licensor and Citistore as licensee in respect of the licensing of 14 external wall signages at the entrance of 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, 5 July 2011

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 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 are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.