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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 50)

CONTINUING CONNECTED TRANSACTIONS

LF and HPI, both wholly-owned subsidiaries of the Company, on 28 March 2014 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 arrangement in respect of the Premises for a term of three years commencing from 1 July 2014; and (ii) the Licence Agreements with Citistore pursuant to which LF and HPI as licensors and Citistore as licensee agreed to the licensing arrangement in respect of certain signages at Metro Harbour Plaza for a term of three years commencing from 1 July 2014.

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 aggregate annual caps of the Tenancy Renewal Agreement and the Licence Agreements are on an annual basis more than 0.1% but less than 5%, 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 of the Listing Rules, are exempt from the independent shareholders' approval requirements under 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 2011 Lease Agreement and the 2011 Licence Agreements, details of which were disclosed in the announcement of the Company dated 5 July 2011. The term under each of the 2011 Lease Agreement and the 2011 Licence Agreements will be expiring on 30 June 2014.

The Board announces that LF, HPI and Citistore entered into the Tenancy Renewal Agreement and the Licence Agreements on 28 March 2014, 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** : 28 March 2014
- 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 2014 and ending on 30 June 2017, 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\$470,000.00 (which is exclusive of Government rates, management fee, air-conditioning charge and promotion 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.
- Government rates** : Government rates (HK\$18,900.00 per month, subject to Government's review) will be paid by Citistore as per the Government's assessment.
- Management fee** : HK\$196,949.20 per month, subject to review.
- Air-conditioning charge** : HK\$230,530.40 per month, subject to review.
- Promotion levy** : HK\$9,400.00 per month, subject to review.
- Break clause** : Landlord shall have the right to serve seven months' prior notice during the term to terminate the tenancy.

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 28 March 2014, HREAL (as agent of LF and HPI) as licensor entered into (i) the External Wall Signage Licence Agreement with Citistore as licensee pursuant to which LF and HPI agreed to license to Citistore, and Citistore agreed to license from LF and HPI, 3 external wall signages at Metro Harbour Plaza at a licence fee of HK\$1,800.00 per month (exclusive of Government rates) with the early termination clause whereby the licensor shall have the right to serve one month's prior notice during the term to terminate the licence; and (ii) the Entrance Signage Licence Agreement with Citistore as licensee 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 at a licence fee of HK\$660.00 per month (exclusive of Government rates). The total annual licence fees payable under the External Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are HK\$21,600.00 and HK\$7,920.00 respectively. Other than the adjudication fees of the Licence Agreements, no other fees are payable by the licensee to the licensor under the Licence Agreements. Each of the Licence Agreements is for a fixed term of three years commencing from 1 July 2014 and ending on 30 June 2017 (both days inclusive).

4. ANNUAL CAPS

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

For the period from 1 July 2014 to 31 December 2014	HK\$6,600,000
For the period from 1 January 2015 to 31 December 2015	HK\$13,200,000
For the period from 1 January 2016 to 31 December 2016	HK\$13,200,000
For the period from 1 January 2017 to 30 June 2017	HK\$6,600,000

Based on historical figures under the 2011 Lease Agreement, the maximum turnover rent in respect of the Premises is anticipated not to exceed HK\$175,000 per month, which is taken into account in arriving at the Annual Caps.

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 considers 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 Tai Kok Tsui 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 were arrived at after negotiations on an arm's length basis, and the transactions contemplated thereunder are 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 (including the Annual Caps thereunder) 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 the Licence Agreements through their interest or deemed interest in shares in Henderson Land. They did not take part in voting on the resolutions at the meeting approving the Tenancy Renewal Agreement and the Licence Agreements and the transactions contemplated thereunder.

Mr. Lam Ko Yin, Colin, Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Mr. Leung Hay Man and Mr. Wu King Cheong are common directors of both of the Company and Henderson Land and all of them did not take part in voting on the resolutions at the meeting approving the Tenancy Renewal Agreement and the 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 33.33% of the 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 Rule 14A.14 of the Listing Rules.

As all the applicable percentage ratios for the aggregate annual caps of the Tenancy Renewal Agreement and the Licence Agreements are on an annual basis more than 0.1% but less than 5%, 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 of the Listing Rules, are exempt from the independent shareholders' approval requirements under 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, property investment, ferry, shipyard and related businesses, travel 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

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

“2011 Lease 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;
“2011 Licence Agreements”	the entrance signage 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 and the external wall signage 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 Metro Harbour Plaza;
“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 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 (stock code: 50);

“connected person”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Entrance Signage Licence Agreement”	the licence agreement dated 28 March 2014 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;
“External Wall Signage Licence Agreement”	the licence agreement dated 28 March 2014 entered into between HREAL (as agent of LF and HPI) as licensor and Citistore as licensee in respect of the licensing of 3 external wall signages at 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 (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, 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 External 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, Tai Kok Tsui, Kowloon, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Renewal Agreement”	the agreement dated 28 March 2014 entered into between HREAL (as agent of LF and HPI) as landlord and Citistore as tenant in respect of the leasing of the Premises; and
“%”	per cent.

By Order of the Board
Yuen Wai Kuen
Company Secretary

Hong Kong, 28 March 2014

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 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.