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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 TRANSACTIONS

On 28 October 2014, World Light entered into the Fanling Prime Cost Contract Extension Letter with Heng Lai to extend the term under the Fanling Prime Cost Contract to 31 December 2015, as the due date of payments to Heng Lai thereunder is expected to be extended to 31 December 2015.

Heng Lai is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 33.33% of the issued share capital of the Company. Therefore, Heng Lai is a connected person of the Company under the Listing Rules. The entering into of the Fanling Prime Cost Contract Extension Letter by World Light and the transactions thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Fanling Prime Cost Contract Extension Letter, when aggregated with the continuing connected transactions contemplated under the Fanling Prime Cost Contract and the Fanling Project Management Agreement, are on an annual basis more than 0.1% but less than 5%, and those transactions are on normal commercial terms, those transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transactions under the Fanling Prime Cost Contract Extension Letter shall be included in the next published annual report of the Company. The Company shall also observe the annual review and other requirements regarding continuing connected transactions under Chapter 14A of the Listing Rules, if and when applicable, from time to time.

CONTINUING CONNECTED TRANSACTIONS

1. THE FANLING PRIME COST CONTRACT EXTENSION LETTER

Reference is made to the Fanling Prime Cost Contract, details of which were disclosed in the 2011 Announcement. Pursuant to the terms of the Fanling Prime Cost Contract, among others, the term of appointment of Heng Lai as the main contractor of the Fanling Development expired on 31 May 2014.

(a) Principal terms of the Fanling Prime Cost Contract Extension Letter and cap amounts

By the Fanling Prime Cost Contract Extension Letter dated 28 October 2014, World Light and Heng Lai agreed to extend the term under the Fanling Prime Cost Contract to 31 December 2015, as the due date of payments to Heng Lai thereunder is expected to be extended to 31 December 2015.

Under the Fanling Prime Cost Contract Extension Letter, the aggregate of (i) the prime cost of all works carried out by Heng Lai or by the connected persons of the Company and (ii) the 5% fee on all works of the Fanling Development payable by World Light to Heng Lai during the period from 1 June 2014 to 31 December 2015 for the services provided by Heng Lai under the Fanling Prime Cost Contract (as extended by the Fanling Prime Cost Contract Extension Letter) shall not exceed the amounts set out below:–

Term	Cap Amounts
For the period from 1 June 2014 to 31 December 2014	HK\$6,800,000
For the period from 1 January 2015 to 31 December 2015	HK\$19,000,000

The cap amounts mentioned above represent the estimated maximum amount of the prime costs and fees payable to Heng Lai for works carried out in respect of the Fanling Development under the Fanling Prime Cost Contract (as extended by the Fanling Prime Cost Contract Extension Letter) and are arrived at after arm's length negotiations between World Light and Heng Lai with reference to the estimated payment due dates in respect of the prime costs of works carried out by Heng Lai and connected persons of the Company.

Save as to the extension of the due date of payments and the new caps on the aggregate amount of the prime costs and fees payable to Heng Lai for the period from 1 June 2014 to 31 December 2015, all other terms and conditions under the Fanling Prime Cost Contract remain unchanged.

(b) Payments under the Fanling Prime Cost Contract (as extended by the Fanling Prime Cost Contract Extension Letter)

Payments by World Light to Heng Lai under the Fanling Prime Cost Contract are made in cash and the payment requests under the Fanling Prime Cost Contract from Heng Lai and sub-contractors are settled by World Light within one month following the issue by the architect (a third party independent of the Group and the Henderson Land Group) appointed under the Fanling Prime Cost Contract of monthly interim certificates stating the amounts due to Heng Lai under such contract subject to a specified retention, which will be released to Heng Lai in stages. The Company expects there shall be a time difference between completion of the construction works and the actual payment of the prime cost and fees under the Fanling Prime Cost Contract as a result of the normal certification and approval process.

2. REASONS FOR ENTERING INTO THE FANLING PRIME COST CONTRACT EXTENSION LETTER

Certain minor changes and modification works were made to the Fanling Development following the signing of the Fanling Prime Cost Contract in 2011 which prolonged the tendering process for construction contracts and the construction period of the Fanling Development. Accordingly, the due date of payments under the Fanling Prime Cost Contract would need to be extended. The total actual amount of the aggregate of the prime cost of works carried out by Heng Lai or by the connected persons of the Company and the 5% fee on all works of the Fanling Development paid by World Light to Heng Lai under the Fanling Prime Cost Contract during the original term of the Fanling Prime Cost Contract which expired on 31 May 2014, together with the proposed cap amounts of the fees payable to Heng Lai under the Fanling Prime Cost Contract Extension Letter for the period from 1 June 2014 to 31 December 2015, are not expected to exceed the aggregate amount of the cap amounts for the four years ending 31 December 2014 as set out in the 2011 Announcement. Prime costs and fees payable by World Light to Heng Lai under the Fanling Prime Cost Contract (as extended by the Fanling Prime Cost Contract Extension Letter) relate to works carried out on or prior to 31 May 2014.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The terms of the Fanling Prime Cost Contract Extension Letter were determined after arm's length negotiations between the parties and after taking into account the need to extend the due date of payments to Heng Lai under the Fanling Prime Cost Contract as a result of the tendering process for construction contracts and the construction period of the Fanling Development having been prolonged.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Fanling Prime Cost Contract Extension Letter are fair and reasonable, and that the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

Dr. Lee Shau Kee and Mr. Li Ning are regarded as materially interested in the Fanling Prime Cost Contract Extension Letter through their interest or deemed interest in shares in Henderson Land. They did not take part in voting on the resolutions in respect of the Fanling Prime Cost Contract Extension Letter and the transactions contemplated thereunder.

A connected transaction committee comprising all the independent non-executive Directors was set up by the Board to review and approve, among others, the continuing connected transactions in respect of the Fanling Prime Cost Contract Extension Letter. Mr. Leung Hay Man and Mr. Wu King Cheong who are common directors of the Company and Henderson Land have abstained from voting on the resolutions approving the relevant transactions at the connected transaction committee meeting.

4. LISTING RULES IMPLICATIONS

Heng Lai is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 33.33% of the issued share capital of the Company. Therefore, Heng Lai is a connected person of the Company under the Listing Rules. The entering into of the Fanling Prime Cost Contract Extension Letter by World Light and the transactions thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Fanling Prime Cost Contract Extension Letter, when aggregated with the continuing connected transactions contemplated under the Fanling Prime Cost Contract and the Fanling Project Management Agreement, are on an annual basis more than 0.1% but less than 5%, and those transactions are on normal commercial terms, those transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transactions under the Fanling Prime Cost Contract Extension Letter shall be included in the next published annual report of the Company. The Company shall also observe the annual review and other requirements regarding continuing connected transactions under Chapter 14A of the Listing Rules, if and when applicable, from time to time.

5. GENERAL INFORMATION

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel business 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 Heng Lai is building construction.

DEFINITIONS

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

“2011 Announcement”	the announcement of the Company dated 15 March 2011 setting out, among other things, details of the Fanling Prime Cost Contract and the Fanling Project Management Agreement;
“Board”	the board of Directors;
“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)”	director(s) of the Company;
“Fanling Development”	the comprehensively planned development consisting of residential and commercial components together with ancillary supporting facilities on the Fanling Property;
“Fanling Prime Cost Contract”	the prime cost contract dated 15 March 2011 entered into between World Light and Heng Lai in respect of, <i>inter alia</i> , the appointment of Heng Lai as the main contractor of the Fanling Development, as disclosed in the 2011 Announcement;
“Fanling Prime Cost Contract Extension Letter”	the letter agreement dated 28 October 2014 entered into between World Light and Heng Lai in respect of the extension of the period of payment of fees under the Fanling Prime Cost Contract;
“Fanling Project Management Agreement”	the project management agreement dated 15 March 2011 entered into between World Light and HREAL in respect of, <i>inter alia</i> , the appointment of HREAL as the project manager of the Fanling Development, as disclosed in the 2011 Announcement, amended and supplemented by the Supplemental Fanling Project Management Agreement;
“Fanling Project Management Fee”	the remuneration for the services to be provided by the HREAL Group (excluding any services to be provided by contractors, nominated subcontractors and suppliers who are not connected persons of the Company) under the Fanling Project Management Agreement;

“Fanling Property”	all that piece or parcel of ground registered in the Land Registry of Hong Kong as Fanling Sheung Shui Town Lot No. 177 (now known as “Green Code”, No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong);
“Group”	the Company and its subsidiaries;
“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);
“Henderson Land Group”	Henderson Land and its subsidiaries;
“Heng Lai”	Heng Lai Construction Company Limited 恒麗建築有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land;
“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;
“HPAL”	Henderson Property Agency Limited 恒基物業代理有限公司, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of HREAL;
“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 direct wholly-owned subsidiary of Henderson Land;
“HREAL Group”	HREAL and its subsidiaries, including HPAL;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Fanling Project Management Agreement”	the supplemental project management agreement dated 11 January 2013 entered into by and amongst World Light, HREAL and HPAL in respect of, <i>inter alia</i> , the transfer and novation of the rights and obligations of HREAL relating to the project sales and marketing services of the Fanling Development and the revision of maximum annual aggregate amount of the Fanling Project Management Fee during the original term of the Fanling Project Management Agreement, as disclosed in the announcement of the Company dated 11 January 2013;

“World Light”

World Light Limited 泓亮有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company; and

“%”

per cent.

By Order of the Board
Yuen Wai Kuen
Company Secretary

Hong Kong, 28 October 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.