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## **HONG KONG FERRY (HOLDINGS) COMPANY LIMITED**

*(Incorporated in Hong Kong under the Companies Ordinance)*

**(Stock Code: 50)**

### **CONTINUING CONNECTED TRANSACTION**

#### **PROJECT MANAGEMENT AGREEMENT**

On 5 September 2013, Well Dynamic, a wholly-owned subsidiary of the Company, has entered into the Project Management Agreement with HREAL to appoint HREAL as the project manager in respect of the Hung Hom Property.

HREAL is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 31.36% of the entire issued share capital of the Company. Therefore, HREAL is a connected person of the Company under the Listing Rules. The entering into of the Project Management Agreement by Well Dynamic and the transactions thereunder constitute a continuing connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the Project Management Agreement are on an annual basis more than 0.1% but all of the applicable percentage ratios are less than 5%, and those transactions are on normal commercial terms, under Rule 14A.34 of the Listing Rules, those transactions are only subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirements.

Details of the transactions under the Project Management Agreement will be included in the next published annual report of the Company. The Company will also observe the annual review and other requirements regarding continuing connected transactions under Rules 14A.37 and 14A.38 of the Listing Rules, when applicable, from time to time.

#### **BACKGROUND**

On 5 September 2013, Well Dynamic, a wholly-owned subsidiary of the Company, has entered into the Project Management Agreement with HREAL to appoint HREAL as the project manager in respect of the Hung Hom Property. The Hung Hom Property is a residential-cum-commercial building with a total gross floor area of approximately 56,000 square feet consisting of one block of residential building, a commercial podium and ancillary car parking spaces on Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong.

# CONTINUING CONNECTED TRANSACTION – THE PROJECT MANAGEMENT AGREEMENT

## A. The Project Management Agreement

### 1. Date:

5 September 2013

### 2. Parties:

Well Dynamic, a wholly-owned subsidiary of the Company

HREAL, a wholly-owned subsidiary of Henderson Land

### 3. Proposed transaction:

Well Dynamic has entered into the Project Management Agreement with HREAL for the appointment of HREAL as the project manager in respect of the Hung Hom Property. Subject to the term as stated below under the sub-paragraph headed “Term of the Project Management Agreement”, the project management in respect of the Hung Hom Property contemplated by the Project Management Agreement is expected to be completed upon completion of the Hung Hom Property and the making good of defects by contractors.

### 4. Term of the Project Management Agreement

Subject to early termination by the parties to the Project Management Agreement, the appointment of the project manager shall be for a term of three years commencing from 5 September 2013.

### 5. Consideration and terms of payment:

Pursuant to the Project Management Agreement, HREAL shall, inter alia, serve as the project manager of the Hung Hom Property in consideration for a fee equivalent to the aggregate of:-

- (a) one per cent. (1%) of the construction costs of the Hung Hom Property (including all professional fees and Landscape Design consultancy services) for the overall management of the Hung Hom Property, subject to a ceiling of HK\$2,500,000, payable in four instalments on or before 31 December 2013, between 1 January 2014 to 31 December 2014, between 1 January 2015 to 31 December 2015 and between 1 January 2016 to 31 December 2016;
- (b) a lump sum fee of HK\$880,000 for interior design consultancy and landscape design consultancy services, payable in four equal instalments on or before 31 December 2013, between 1 January 2014 to 31 December 2014, between 1 January 2015 to 31 December 2015 and between 1 January 2016 to 31 December 2016;

- (c) a lump sum fee of HK\$1,100,000 for structural and geotechnical consultancy services, payable in four equal instalments on or before 31 December 2013, between 1 January 2014 to 31 December 2014, between 1 January 2015 to 31 December 2015 and between 1 January 2016 to 31 December 2016; and
- (d) a monthly fee of HK\$80,000 for the foundation work and a monthly fee of HK\$15,000 for the superstructure works in relation to the site supervision and quality supervision services, with the total fee subject to an aggregate ceiling of HK\$1,525,000.

The Project Management Agreement stipulates that the annual aggregate remuneration for the services to be provided by HREAL for the three years commencing from 5 September 2013 shall not exceed the amounts set out below:

For the year ending 31 December 2013	HK\$1,300,000
For the year ending 31 December 2014	HK\$2,300,000
For the year ending 31 December 2015	HK\$2,300,000
For the year ending 31 December 2016	HK\$600,000

The Project Management Agreement also includes provisions for Well Dynamic to reimburse HREAL for all out-of-pocket expenses reasonably incurred by HREAL pursuant to or in the performance of its duties and functions under that agreement.

The consideration for the services to be provided by HREAL under the Project Management Agreement and the annual cap amounts were determined by Well Dynamic and HREAL on arm's length basis with reference to the fee scale of the project management services for other similar projects in the market and the fee scale of the project management services for similar projects undertaken by HREAL with the Group in the past. The consideration will be paid by the Group out of internal resources.

## **B. Reasons for and benefits of the Project Management Agreement**

As HREAL has a strong and experienced project management team in Hong Kong, the Directors consider that it is an appropriate candidate to be appointed as the project manager for the Hung Hom Property. HREAL has served as project manager for a number of projects of Henderson Land and its subsidiaries and the Group including high rise commercial/residential complexes and both high rise and low rise residential estates in Hong Kong.

## **C. Directors' views**

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Project Management Agreement are determined on arm's length basis and on normal commercial terms, that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and that the terms of the Project Management Agreement (including the annual caps thereunder) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Directors who were regarded as materially interested in the Project Management Agreement through their interest or deemed interest in shares in Henderson Land did not take part in the voting for the approval of the same.

## **D. Connected Persons and requirements of the Listing Rules**

HREAL is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 31.36% of the entire issued share capital of the Company. Therefore, HREAL is a connected person of the Company under the Listing Rules. The entering into of the Project Management Agreement by Well Dynamic and the transactions thereunder constitute a continuing connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the Project Management Agreement are on an annual basis more than 0.1% but all of the applicable percentage ratios are less than 5%, and those transactions are on normal commercial terms, under Rule 14A.34 of the Listing Rules, those transactions are only subject to the reporting and announcement requirements under the Listing Rules and are exempt from the independent shareholders' approval requirements.

Details of the transactions under the Project Management Agreement will be included in the next published annual report of the Company. The Company will also observe the annual review and other requirements regarding continuing connected transactions under Rules 14A.37 and 14A.38 of the Listing Rules, when applicable, from time to time.

## **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 HREAL is project management.

## **DEFINITIONS**

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

“Board”	the board of Directors;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“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 persons”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“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;
“HREAL”	Henderson Real Estate Agency Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land;
“Hung Hom Property”	the residential-cum-commercial building with a total gross floor area of approximately 56,000 square feet consisting of one block of residential building, a commercial podium and ancillary car parking spaces on Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Project Management Agreement”	the project management agreement dated 5 September 2013 entered into between Well Dynamic and HREAL in respect of, inter alia, the appointment of HREAL as the project manager in respect of the Hung Hom Property;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Well Dynamic”	Well Dynamic Limited, 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, 5 September 2013

*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 Chau 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.*