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## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The term of the 2014 HKF Tenancy Agreement will expire on 30 June 2017. On 23 June 2017, HREAL (as agent of HPI and LF) and Citistore HK (a wholly-owned subsidiary of the Company) entered into the Tenancy Renewal Offer Letters for renewal of the tenancy of certain premises at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong.

In view of the term of the 2014 Master Cleaning Services Agreement expiring on 30 November 2017, the Company and Broad Capital (a wholly-owned subsidiary of HLD) entered into the New Master Cleaning Services Agreement to continue the provision of Cleaning Services by Broad Capital to members of the Group.

HLD is the controlling shareholder of the Company and HLD is interested in approximately 33.4% of the issued shares of HK Ferry. Accordingly, the entering into of the Tenancy Renewal Offer Letters by Citistore HK with HPI and LF (both being subsidiaries of HK Ferry), and the New Master Cleaning Services Agreement by the Company with Broad Capital constitute continuing connected transactions of the Company.

As all of the applicable percentage ratios in respect of the annual caps for each of (i) the Tenancy Renewal Offer Letters and (ii) the New Master Cleaning Services Agreement exceed 0.1% but are less than 5%, and those transactions are conducted on normal commercial terms, the transactions contemplated under each of (i) the Tenancy Renewal Offer Letters and (ii) the New Master Cleaning Services Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **1. TENANCY RENEWAL OFFER LETTERS**

Reference is made to the 2014 Announcement relating to, among other things, the 2014 HKF Tenancy Agreement. As the term of the 2014 HKF Tenancy Agreement will expire on 30 June 2017, HREAL (as agent of HPI and LF) and Citistore HK (being a wholly-owned subsidiary of the Company) have entered into the Tenancy Renewal Offer Letters to renew the tenancy of the Premises, the principal terms of which are summarised below:-

## I) THE FIRST TENANCY RENEWAL OFFER LETTER

- Parties** : HREAL (as agent of HPI and LF) (as landlord)  
Citistore HK (as tenant)
- Date** : 23 June 2017
- First Premises** : Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and Corridors and Atrium on Ground Floor, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong
- Second Premises** : Bridge area on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong
- Term** : One year commencing from 1 July 2017 and ending on 30 June 2018 (both days inclusive), subject to the break clause set out below.
- Gross floor area** : (i) The First Premises : 49,569 square feet  
(ii) The Second Premises: 1,236 square feet
- Monthly rental** : Basic rent and turnover rent (both as described below).
- Basic rent** : (i) The First Premises: HK\$244,000 per month; and  
(ii) The Second Premises: HK\$6,000 per month  
(payable in advance on the 1st day of each calendar month; and exclusive of Government rates, management fees, air-conditioning charge and other miscellaneous charges).
- Turnover rent** : If the annual gross turnover of the business of Citistore HK conducted at the First Premises and the Second Premises without any deduction exceeds HK\$50,000,000, the turnover rent shall be 7% of the excess of such annual gross turnover over HK\$50,000,000. If the gross turnover of the business of Citistore HK conducted at the First Premises and the Second Premises does not exceed HK\$4,166,666.67 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 payable monthly in arrears and reconciled on an annual basis.
- Provisional Government rates** : (i) The First Premises: HK\$12,200 per month (subject to Government's review) will be paid by Citistore HK.  
(ii) The Second Premises: HK\$300 per month (subject to Government's review) will be paid by Citistore HK.

- Management fee** : (i) The First Premises: HK\$131,853.50 per month, subject to periodic review.  
(ii) The Second Premises: HK\$3,287.80 per month, subject to periodic review.
- Air-conditioning charge** : (i) The First Premises: HK\$154,159.60 per month, subject to periodic review.  
(ii) The Second Premises: HK\$3,844 per month, subject to periodic review.
- Break clause** : Both HREAL (as agent of HPI and LF) and Citistore HK shall have the right to serve two 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 First Tenancy Renewal Offer Letter. If the formal tenancy renewal agreement is not executed by Citistore HK within 14 days upon notification by HREAL (as agent of HPI and LF) that the formal tenancy renewal agreement is ready for execution, HREAL (as agent of HPI and LF) shall be entitled to treat the terms of the First Tenancy Renewal Offer Letter 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.

## II) THE SECOND TENANCY RENEWAL OFFER LETTER

- Parties** : HREAL (as agent of HPI and LF) (as landlord)  
Citistore HK (as tenant)
- Date** : 23 June 2017
- Third Premises** : 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 2017 and ending on 30 June 2020 (both days inclusive).
- Gross floor area** : 39,955 square feet
- Monthly rental** : Basic rent and turnover rent (both as described below).
- Basic rent** : HK\$238,000 per month (payable in advance on the 1st day of each calendar month; and exclusive of Government rates, management fee, air-conditioning charge and other miscellaneous charges).
- Turnover rent** : If the annual gross turnover of the business of Citistore HK conducted at the Third Premises without any deduction exceeds HK\$70,000,000, the turnover rent shall be 7% of the excess of

such annual gross turnover over HK\$70,000,000. If the gross turnover of the business of Citistore HK conducted at the Third Premises does not exceed HK\$5,833,333.33 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 payable monthly in arrears and reconciled on an annual basis.

**Provisional Government rates** : HK\$11,900 per month (subject to Government’s review) will be paid by Citistore HK.

**Management fee** : HK\$106,280.30 per month, subject to periodic review.

**Air-conditioning charge** : HK\$124,260.10 per month, subject to periodic review.

**Formal agreement** : A formal tenancy renewal agreement shall be executed by the parties pursuant to the terms and conditions of the Second Tenancy Renewal Offer Letter. If the formal tenancy renewal agreement is not executed by Citistore HK within 14 days upon notification by HREAL (as agent of HPI and LF) that the formal tenancy renewal agreement is ready for execution, HREAL (as agent of HPI and LF) shall be entitled to treat the terms of Second Tenancy Renewal Offer Letter 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.

The rentals were arrived at on an arm’s length basis with reference to prevailing market leasing terms and conditions, including the calculation of the rent as assessed by a third party property valuer.

### III) ANNUAL CAPS

The Company estimates that the aggregate amounts of rentals (basic rent and anticipated maximum turnover rents), management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) payable by Citistore HK under the Tenancy Renewal Offer Letters will not exceed the following maximum figures:

<u>Financial year ending 31 December</u>	<u>Annual caps (HK\$)</u>
2017 <sup>1</sup>	7,500,000
2018	11,300,000
2019	8,000,000
2020 <sup>2</sup>	4,300,000

**Notes:**

- (1) *This annual cap relates to the period from the commencement date of the term of the Tenancy Renewal Offer Letters up to 31 December 2017.*
- (2) *This annual cap relates to the period from 1 January 2020 up to the date of expiration of the Second Tenancy Renewal Offer Letter, being 30 June 2020.*
- (3) *The maximum turnover rents in respect of the Premises are anticipated to be about HK\$100,000 per month in aggregate.*
- (4) *The annual caps have been arrived at based on the amounts payable under the Tenancy Renewal Offer Letters as described above together with a buffer for adjustments to the amounts payable.*

## **2. THE NEW MASTER CLEANING SERVICES AGREEMENT**

Reference is also made to the 2014 Announcement relating to, among other things, the 2014 Master Cleaning Services Agreement which will expire on 30 November 2017. In order to enable the Group to make arrangements in advance for Cleaning Services, the Company and Broad Capital (being a wholly-owned subsidiary of HLD) entered into the New Master Cleaning Services Agreement on 23 June 2017 to continue the provision of cleaning services by Broad Capital to members of the Group, the principal terms of which are summarised below:-

<b>Date</b>	:	23 June 2017
<b>Parties</b>	:	Broad Capital and the Company
<b>Term</b>	:	From 1 December 2017 to 30 November 2020
<b>Subject Matter</b>	:	Broad Capital shall from time to time provide to any subsidiary of the Group (or enter into agreement with any subsidiary of the Group to provide) Cleaning Services as may be required from time to time by the Group in its ordinary course of business and on terms no less favourable to the Group than those made available by Broad Capital to other independent third party customers for such services.

The pricing and terms for transactions and agreements made pursuant to the New Master Cleaning Services Agreement will be determined in the following manner:

- (i) quotations from Broad Capital and independent third party service providers shall be obtained for the provision of Cleaning Services by such parties;
- (ii) the price and terms, historical working relationship, experience and the quality of services offered by such independent third party providers and Broad Capital respectively shall be considered; and

- (iii) Broad Capital may be engaged on terms similar to or better than those offered by the other service providers.

**Payment Terms** : The service fees shall be settled on monthly basis.

**Break Clause** : Either party may terminate the New Master Cleaning Services Agreement by giving the other party at least one month's written notice of termination.

To supervise the continuing connected transactions of the Group, the relevant business department of the Group will review and monitor the progress of the Cleaning Services provided under the terms of the relevant agreements made or to be made in accordance with the New Master Cleaning Services Agreement.

#### **I) ANNUAL CAPS**

The Company estimates that the aggregate amounts payable by the Group to Broad Capital under the New Master Cleaning Services Agreement will not exceed the following maximum figures:-

<b><u>Financial year ending</u></b> <b><u>31 December</u></b>	<b><u>Annual Caps</u></b> <b><i>(HK\$)</i></b>
2017 <sup>1</sup>	700,000
2018	8,600,000
2019	9,430,000
2020 <sup>2</sup>	9,506,000

*Notes:*

*(1) This annual cap relates to the period from the commencement date of the term of the New Master Cleaning Services Agreement up to 31 December 2017.*

*(2) This annual cap relates to the period from 1 January 2020 up to the date of expiration of the New Master Cleaning Services Agreement, being 30 November 2020.*

The above annual caps were determined with reference to historical transaction amounts for Cleaning Services provided by Broad Capital and the potential trend of the cleaning service market condition, along with approximately 10% buffer to account for inflation.

The historical transaction amounts paid by the Group in respect of cleaning services provided by Broad Capital for the one-month period ended 31 December 2014 and each of the financial years ended 31 December 2015 and 2016 were approximately HK\$447,000, HK\$5,832,000, HK\$6,319,000 respectively.

### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY RENEWAL OFFER LETTERS AND THE NEW MASTER CLEANING SERVICES AGREEMENT**

Citistore HK has been operating the relevant “Citistore” department store at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong for a number of years. The Board considers that it is beneficial for the Group to enter into the Tenancy Renewal Offer Letters so as to operate the “Citistore” department store at Metro Harbour Plaza.

The provision of Cleaning Services by Broad Capital to the Group are transactions which are part and parcel of the retail business of Citistore HK that had been carried out for a long period of time. Such continuing transactions serve to facilitate and/or complement the retail business of Citistore HK, and the Directors considers that it would be beneficial to the Group to continue with such transactions.

The requirements as to pricing and terms of the transactions under the New Master Cleaning Services Agreement will ensure that such transactions will be on normal commercial terms (or better) and not prejudicial to the Group as compared to similar transactions entered into by the HLD Group / the Group (as the case may be) with independent third parties.

The Directors (including the independent non-executive Directors) consider that the respective terms of the Tenancy Renewal Offer Letters and the New Master Cleaning Services Agreement have been negotiated on an arm’s length basis, the transactions thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and on terms which are fair and reasonable and in the interests of the Company and its Shareholders, and that the respective annual caps for the Tenancy Renewal Offer Letters and the Master Cleaning Services Agreement are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Since Mr. Lee Ka Shing, Dr. Lee Ka Kit, Dr. Lee Shau Kee, Mr. Li Ning and Mr. Lee Tat Man are each regarded as having a material interest in the transactions under the Tenancy Renewal Offer Letters and the New Master Cleaning Services Agreement by virtue of their deemed interest in shares of HLD or being a family member of Dr. Lee Shau Kee, they were not members of the committee of the Board which approved the Tenancy Renewal Offer Letters and the New Master Cleaning Services Agreement and their respective annual caps, pursuant to the articles of association of the Company and the Listing Rules.

### **4. LISTING RULES IMPLICATIONS AND INTERNAL CONTROLS**

As (i) HLD is the controlling shareholder of the Company and (ii) HLD is interested in approximately 33.4% of the issued shares of HK Ferry, HLD and its subsidiaries (including Broad Capital), and HK Ferry and its subsidiaries (including HPI and LF) are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the Tenancy Renewal Offer Letters by Citistore HK with HPI and LF, and the New Master Cleaning Services Agreement by the Company with Broad Capital constitute continuing connected transactions of the Company.

As all of the applicable percentage ratios in respect of the annual caps for each of (i) the Tenancy Renewal Offer Letters and (ii) the New Master Cleaning Services Agreement exceed 0.1% but are less than 5%, and those transactions are conducted on normal commercial terms,

the transactions contemplated under (i) the Tenancy Renewal Offer Letters and (ii) the New Master Cleaning Services Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The audit department of the Group will, after reviewing the above continuing connected transactions together with the relevant internal controls, confirm to the independent non-executive Directors annually whether the above continuing connected transactions are conducted in accordance with the relevant pricing mechanism under the relevant agreements. The independent non-executive Directors and the auditors of the Company will also conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the terms of the Tenancy Renewal Offer Letters, the New Master Cleaning Services Agreement and pricing policies.

## **5. INFORMATION ON THE PARTIES INVOLVED**

HLD is an investment holding company and the principal business activities of its subsidiaries are property development and investment, construction, hotel operation, finance, department store operation, project management, investment holding and property management.

The principal business activities of HK Ferry Group are property development, property investment, ferry, shipyard and related businesses and securities investment.

The principal business activities of the Group are investment holding and department store operations.

The principal business activities of Broad Capital are cleaning services.

The principal business activity of HPI is property investment.

The principal business activity of HREAL is provision of financial, management and agency services.

The principal business activities of LF are property development, investment and financing.

## **6. DEFINITIONS**

<b>“2014 Announcement”</b>	the announcement of the Company dated 1 December 2014 relating to, among other things, the 2014 HKF Tenancy Agreement and the 2014 Master Cleaning Services Agreement;
<b>“2014 HKF Tenancy Agreement”</b>	the agreement dated 28 March 2014 entered into between HREAL (as agent of LF and HPI) (as landlord) and Citistore HK (as tenant) in respect of the leasing of the HKF Premises for the period from 1 July 2014 to 30 June 2017, as disclosed in the 2014 Announcement;



<b>“2014 Master Cleaning Services Agreement”</b>	the master agreement dated 1 December 2014 entered into between Broad Capital and the Company in relation to the provision of Cleaning Services by Broad Capital to members of the Group for the period from 1 December 2014 to 30 November 2017, as disclosed in the 2014 Announcement;
<b>“Board”</b>	the board of Directors;
<b>“Broad Capital”</b>	Broad Capital Limited (寶豐環保服務有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HLD;
<b>“Citistore HK”</b>	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
<b>“Cleaning Services”</b>	cleaning services for the stores, shops and other premises operated by the Group;
<b>“Company”</b>	Henderson Investment Limited (恒基兆業發展有限公司), 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: 97);
<b>“controlling shareholder”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Director(s)”</b>	the director(s) of the Company;
<b>“First Premises”</b>	Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong;
<b>“First Tenancy Renewal Offer Letter”</b>	an offer letter dated 23 June 2017 entered into between HREAL (as agent of HPI and LF) as landlord and Citistore HK as tenant in relation to the leasing of the First Premises and the Second Premises;
<b>“Government”</b>	the government of Hong Kong;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“HK Ferry”</b>	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);

<b>“HK Ferry Group”</b>	HK Ferry and its subsidiaries;
<b>“HKF Premises”</b>	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;
<b>“HLD”</b>	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);
<b>“HLD Group”</b>	HLD and its subsidiaries (excluding the Group);
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“HPI”</b>	HKF Property Investment Limited (香港小輪物業投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HK Ferry;
<b>“HREAL”</b>	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 wholly-owned subsidiary of HLD;
<b>“LF”</b>	Lenfield Limited (良輝有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HK Ferry;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“New Master Cleaning Services Agreement”</b>	the master agreement dated 23 June 2017 entered into between Broad Capital and the Company for the provision of Cleaning Services by Broad Capital to members of the Group;
<b>“Premises”</b>	collectively, the First Premises, the Second Premises and the Third Premises;
<b>“Second Premises”</b>	bridge area on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong;

<b>“Second Tenancy Renewal Offer Letter”</b>	an offer letter dated 23 June 2017 entered into between HREAL (as agent of HPI and LF) as landlord and Citistore HK as tenant in relation to the leasing of the Third Premises;
<b>“Shareholders”</b>	holders of the Shares;
<b>“Shares”</b>	the shares of the Company;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Tenancy Renewal Offer Letters”</b>	the First Tenancy Renewal Offer Letter and the Second Tenancy Renewal Offer Letter, as more particularly described in the section headed “ <i>1. Tenancy Renewal Offer Letters</i> ”;
<b>“Third Premises”</b>	Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong; and
<b>“%”</b>	per cent.

By Order of the Board  
**Timon LIU Cheung Yuen**  
*Company Secretary*

Hong Kong, 23 June 2017

*As at the date of this announcement, the Board comprises: (1) executive Directors: Lee Ka Shing (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Shau Kee, Li Ning and Lee Tat Man; and (2) independent non-executive Directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Leung Hay Man and Au Siu Kee, Alexander.*