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RENEWAL OF CONTINUING CONNECTED TRANSACTION AND SETTING OF NEW ANNUAL CAPS

Reference is made to the 2017 Announcement relating to continuing connected transactions under the 2017 First Tenancy Renewal Offer Letter and the 2017 Second Tenancy Renewal Offer Letter, together with the relevant estimated aggregate annual caps for the financial years ending up to 31 December 2020.

The term of the 2017 First Tenancy Renewal Offer Letter will expire on 30 June 2018. On 22 June 2018, HREAL (as agent of HPI and LF) and Citistore HK (a wholly-owned subsidiary of the Company) entered into the 2018 Tenancy Renewal Offer Letter to renew the tenancy of certain premises at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong.

This announcement is to provide details of the 2018 Tenancy Renewal Offer Letter and the New Annual Caps.

As HLD, the controlling shareholder of the Company, is interested in approximately 33.4% of the issued shares of HK Ferry, HK Ferry and its subsidiaries (including HPI and LF) being associates of HLD are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the 2018 Tenancy Renewal Offer Letter by Citistore HK with HPI and LF constitutes a continuing connected transaction of the Company.

As all of the applicable percentage ratios in respect of the New Annual Caps for the transactions contemplated under the Tenancy Renewal Offer Letters exceed 0.1% but are less than 5%, and those transactions are conducted on normal commercial terms, those transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the 2017 Announcement relating to continuing connected transactions under the 2017 First Tenancy Renewal Offer Letter and the 2017 Second Tenancy Renewal Offer Letter, together with the relevant estimated aggregate annual caps for the financial years ending up to 31 December 2020.

This announcement is to provide details of the 2018 Tenancy Renewal Offer Letter and the New Annual Caps.

2018 TENANCY RENEWAL OFFER LETTER

As the term of the 2017 First Tenancy Renewal Offer Letter will expire on 30 June 2018, HREAL (as agent of HPI and LF) and Citistore HK (a wholly-owned subsidiary of the Company) entered into the 2018 Tenancy Renewal Offer Letter to renew the tenancy of certain premises at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong. The principal terms of the 2018 Tenancy Renewal Offer Letter are summarised below:

- Parties** : HREAL (as agent of HPI and LF) (as landlord)
Citistore HK (as tenant)
- Date** : 22 June 2018
- First Premises** : Shop Nos. G01, Portion of G31, G37-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** : Two years commencing from 1 July 2018 and ending on 30 June 2020 (both days inclusive), subject to the break clause set out below
- Gross floor area** : (i) The First Premises : 46,343 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\$243,000 per month; and
(ii) The Second Premises: HK\$7,000 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\$12,150 per month (subject to Government's review) to be paid by Citistore HK
(ii) The Second Premises: HK\$350 per month (subject to Government's review) to be paid by Citistore HK
- Management fee** : (i) The First Premises: HK\$129,297 per month, subject to periodic review
(ii) The Second Premises: HK\$3,448.40 per month, subject to periodic review
- Air-conditioning charge** : (i) The First Premises: HK\$151,541.60 per month, subject to periodic review
(ii) The Second Premises: HK\$4,041.70 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 three 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 2018 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 2018 Tenancy Renewal Offer Letter and such terms and conditions thereof 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.

SETTING OF NEW ANNUAL CAPS

In view of the entering into of the 2018 Tenancy Renewal Offer Letter, the Company anticipates 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 to HPI and LF will increase. The new estimated aggregate amounts payable under the Tenancy Renewal Offer Letters in respect of each of the three financial years ending up to 31 December 2020 (the "**New Annual Caps**") together with the previous annual caps for the said financial years disclosed in the 2017 Announcement are set out below:

For the financial year ending 31 December	Previous annual caps disclosed in the 2017 Announcement (HK\$)	New Annual Caps (HK\$)
2018	11,300,000 ¹	15,000,000 ³
2019	8,000,000	15,000,000
2020	4,300,000 ²	7,500,000 ⁴

Notes:

- 1. This annual cap relates to the 2017 First Tenancy Renewal Offer Letter for the period from 1 January 2018 up to the date of expiration (30 June 2018) and the 2017 Second Tenancy Renewal Offer Letter for the period from 1 January 2018 to 31 December 2018.*
- 2. This annual cap relates to the 2017 Second Tenancy Renewal Offer Letter for the period from 1 January 2020 up to the date of expiration (30 June 2020).*
- 3. This New Annual Cap relates to the 2017 First Tenancy Renewal Offer Letter for the period from 1 January 2018 up to the date of expiration (30 June 2018), the 2018 Tenancy Renewal Offer Letter for the period from the commencement date (1 July 2018) up to 31 December 2018 and the 2017 Second Tenancy Renewal Offer Letter for the period from 1 January 2018 to 31 December 2018.*
- 4. This New Annual Cap relates to the 2018 Tenancy Renewal Offer Letter and the 2017 Second Tenancy Renewal Offer Letter for the period from 1 January 2020 up to the date of expiration (30 June 2020).*
- 5. The maximum turnover rents in respect of the Premises are anticipated to be about HK\$100,000 per month in aggregate.*
- 6. The New Annual Caps have been arrived at based on the amounts payable under the Tenancy Renewal Offer Letters together with a buffer for adjustments to the amounts payable.*

As there has been no change to the terms of the 2017 Second Tenancy Renewal Offer Letter, the annual amounts payable in respect of the 2017 Second Tenancy Renewal Offer Letter that were taken into account in arriving at the previous aggregate annual caps as disclosed in the 2017 Announcement form part of the New Annual Caps.

REASONS FOR AND BENEFITS OF ENTERING INTO 2018 TENANCY RENEWAL OFFER LETTER

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 in the commercial interest of the Group to enter into the 2018 Tenancy Renewal Offer Letter so as to continue the operation of the “Citistore” department store at Metro Harbour Plaza.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the 2018 Tenancy Renewal Offer Letter are fair and reasonable; and the transactions under such letter are on normal commercial terms and are arrived at after negotiation on an arm’s length basis and such transactions are in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) also consider that such transactions are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As HLD, the controlling shareholder of the Company, is interested in approximately 33.4% of the issued shares of HK Ferry, HK Ferry and its subsidiaries (including HPI and LF) being associates of HLD are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the 2018 Tenancy Renewal Offer Letter by Citistore HK with HPI and LF constitutes a continuing connected transaction of the Company. 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 2018 Tenancy Renewal Offer Letter 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 formed by the Board which approved the 2018 Tenancy Renewal Offer Letter and the New Annual Caps, pursuant to the articles of association of the Company and the Listing Rules.

As all of the applicable percentage ratios in respect of the New Annual Caps for the transactions contemplated under the Tenancy Renewal Offer Letters exceed 0.1% but are less than 5%, and those transactions are conducted on normal commercial terms, those transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will continue to comply with the annual review and other requirements regarding continuing connected transactions under the Listing Rules.

INFORMATION ON THE PARTIES INVOLVED

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 operation.

The principal business activity of HPI is property investment.

The principal business activities of HREAL are provision of financial, management and agency services.

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

DEFINITIONS

“2017 Announcement”	the announcement of the Company dated 23 June 2017 relating to continuing connected transactions under the 2017 First Tenancy Renewal Offer Letter and the 2017 Second Tenancy Renewal Offer Letter;
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“2017 First Tenancy Renewal Offer Letter”	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 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 and the Second Premises for one year from 1 July 2017 to 30 June 2018 (both days inclusive);
“2017 Second Tenancy Renewal Offer Letter”	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 for a term of three years from 1 July 2017 to 30 June 2020 (both days inclusive);
“2018 Tenancy Renewal Offer Letter”	an offer letter dated 22 June 2018 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 for a term of two years from 1 July 2018 to 30 June 2020 (both days inclusive);
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Citistore HK”	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Company”	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);
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“First Premises”	Shop Nos. G01, Portion of G31, G37-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;
“Government”	the government of Hong Kong;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“HK Ferry”	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);
“HK Ferry Group”	HK Ferry and its subsidiaries;
“HLD”	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);
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HPI”	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;
“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 wholly-owned subsidiary of HLD;
“LF”	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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Annual Caps”	has the meaning as ascribed thereto in the section headed “SETTING OF NEW ANNUAL CAPS” of this announcement;
“Premises”	collectively, the First Premises, the Second Premises and the Third Premises;
“Second Premises”	bridge area on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong;
“Shareholders”	holders of the Shares;
“Shares”	the shares of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Renewal Offer Letters”	collectively, the 2018 Tenancy Renewal Offer Letter, the 2017 First Tenancy Renewal Offer Letter and the 2017 Second Tenancy Renewal Offer Letter;
“Third Premises”	Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong; and
“%”	per cent.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 June 2018

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.