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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 TRANSACTION**

#### **RENEWAL OF THE TENANCY AND REVISION OF ANNUAL CAPS**

Reference is made to the 2017 Announcement relating to, among other things, the 2017 Renewal Offer Letter (A) and the 2017 Renewal Offer Letter (B), together with the relevant estimated aggregate annual caps for the period ending up to 30 June 2020. The term of the 2017 Renewal Offer Letter (A) will expire on 30 June 2018. HREAL (as agent of HPI and LF) and Citistore entered into the 2018 Renewal Offer Letter (A) on 22 June 2018 for renewal of the tenancy of certain premises at Metro Harbour Plaza. As a result of the entering into the 2018 Renewal Offer Letter (A), the Company has decided to revise the previously set aggregate annual caps for the period ending up to 30 June 2020 to the New Annual Caps as set out in this announcement.

Citistore is a wholly-owned subsidiary of Henderson Investment and an indirectly non-wholly owned subsidiary of Henderson Land. Henderson Investment is a subsidiary of Henderson Land. HREAL is a direct wholly-owned subsidiary of Henderson Land. Henderson Land is a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 33.4% of the issued shares of the Company. Therefore, Citistore and HREAL (as agent of HPI and LF but acting as a party to the Tenancy Renewal Offer Letters) are connected persons of the Company under the Listing Rules. The entering into of the 2018 Renewal Offer Letter (A) with Citistore and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of 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% on an aggregate annual basis, and those transactions are conducted on normal commercial terms, those transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **1. INTRODUCTION**

Reference is made to the 2017 Announcement relating to, among other things, the 2017 Renewal Offer Letter (A) and the 2017 Renewal Offer Letter (B), together with the relevant estimated aggregate annual caps for the period ending up to 30 June 2020. The term of the 2017 Renewal Offer Letter (A) will expire on 30 June 2018. HREAL (as agent of HPI and LF) and Citistore entered into the 2018 Renewal Offer Letter (A) on 22 June 2018 for renewal of the tenancy of certain premises at Metro Harbour Plaza, the principal terms of which are set out below.

## 2. THE 2018 RENEWAL OFFER LETTER (A)

- Parties** : HREAL (as agent of HPI and LF) (as landlord)  
Citistore (as tenant)
- Date** : 22 June 2018
- Premises (1)** : 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.
- Premises (2)** : Bridge area on Level 1, Metro Harbour Plaza.
- 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** : Premises (1): 46,343 square feet  
Premises (2): 1,236 square feet
- Monthly rental** : Basic rent and turnover rent (both as described below).
- Basic rent** : Premises (1): HK\$243,000 per month  
Premises (2): 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 charges and other miscellaneous charges).
- Turnover rent** : If the annual gross turnover of the business of Citistore conducted at Premises (1) and Premises (2) 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 conducted at Premises (1) and Premises (2) 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** : Premises (1): HK\$12,150 per month  
(subject to Government's review) will be paid by Citistore.  
Premises (2): HK\$350 per month  
(subject to Government's review) will be paid by Citistore.
- Management fees** : Premises (1): HK\$129,297 per month, subject to periodic review.  
Premises (2): HK\$3,448.40 per month, subject to periodic review.

- Air-conditioning charges** : Premises (1): HK\$151,541.60 per month, subject to periodic review.  
Premises (2): HK\$4,041.70 per month, subject to periodic review.
- Break clause** : Both HREAL (as agent of HPI and LF) and Citistore 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 Renewal Offer Letter (A). If the formal tenancy renewal agreement is not executed by Citistore 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 Renewal Offer Letter (A) and such terms and conditions thereof as a final tenancy agreement binding on the parties.

### 3. REVISION OF ANNUAL CAPS

In view of the entering into of the 2018 Renewal Offer Letter (A), 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) receivable under the 2018 Renewal Offer Letter (A) and the 2017 Renewal Offer Letter (B) will not exceed the following maximum figures (the "New Annual Caps"):

Term	Previous annual caps disclosed in the 2017 Announcement (HK\$)	New Annual Caps (HK\$)
For the year ending 31 December 2018	11,300,000 <sup>(1)</sup>	15,000,000 <sup>(4)</sup>
For the year ending 31 December 2019	8,000,000 <sup>(2)</sup>	15,000,000 <sup>(5)</sup>
For the period from 1 January 2020 to 30 June 2020	4,300,000 <sup>(3)</sup>	7,500,000 <sup>(6)</sup>

*Notes:*

- (1) *This previous annual cap relates to (i) the annual cap of the 2017 Renewal Offer Letter (A) for the period from 1 January 2018 up to the date of its expiration (i.e. 30 June 2018) and (ii) the annual cap of the 2017 Renewal Offer Letter (B) for the period from 1 January 2018 to 31 December 2018.*
- (2) *This previous annual cap relates to the annual cap of the 2017 Renewal Offer Letter (B) for the year ending 31 December 2019.*
- (3) *This previous annual cap relates to the annual cap of the 2017 Renewal Offer Letter (B) for the period from 1 January 2020 up to the date of its expiration (i.e. 30 June 2020).*

- (4) *This New Annual Cap relates to (i) the annual cap of the 2017 Renewal Offer Letter (A) for the period from 1 January 2018 up to the date of its expiration (i.e. 30 June 2018), (ii) the annual cap of the 2018 Renewal Offer Letter (A) for the period from its commencement date (i.e. 1 July 2018) up to 31 December 2018 and (iii) the annual cap of the 2017 Renewal Offer Letter (B) for the period from 1 January 2018 to 31 December 2018.*
- (5) *This New Annual Cap relates to (i) the annual cap of the 2018 Renewal Offer Letter (A) for the year ending 31 December 2019 and (ii) the annual cap of the 2017 Renewal Offer Letter (B) for the year ending 31 December 2019.*
- (6) *This New Annual Cap relates to (i) the annual cap of the 2018 Renewal Offer Letter (A) for the period from 1 January 2020 up to the date of its expiration (i.e. 30 June 2020) and (ii) the annual cap of the 2017 Renewal Offer Letter (B) for the period from 1 January 2020 up to the date of its expiration (i.e. 30 June 2020).*

The maximum turnover rents in respect of the Premises are anticipated to be about HK\$100,000 per month, which is taken into account in arriving at the New Annual Caps. The New Annual Caps have been arrived at based on the amounts receivable under the Tenancy Renewal Offer Letters as described above together with a buffer for adjustments to the amounts receivable.

As there has been no change to the terms of the 2017 Renewal Offer Letter (B), the annual caps in respect of the 2017 Renewal Offer Letter (B) that were taken into account in arriving at the above aggregate New Annual Caps do not exceed the annual caps in respect of the 2017 Renewal Offer Letter (B) that were taken into account in arriving at the previous aggregate annual caps disclosed in the 2017 Announcement.

#### **4. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2018 RENEWAL OFFER LETTER (A) AND THE REVISION OF ANNUAL CAPS**

Citistore, a renowned brand name of department store in Hong Kong, has been in operation as a department store at Metro Harbour Plaza since 2006. The Board considers that entering into the 2018 Renewal Offer Letter (A) benefits the Group as Citistore's 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 2018 Renewal Offer Letter (A) 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 and the basic rents of the Premises (1) and Premises (2) were determined with reference to the market rental value of the Premises (1) and Premises (2) as assessed by a third party property valuer. As a result of the entering into the 2018 Renewal Offer Letter (A), the Company has decided to revise the previously set aggregate annual caps for the period ending up to 30 June 2020 to the New Annual Caps as set out in this announcement.

The Directors (including the independent non-executive Directors) consider that the terms of the 2018 Renewal Offer Letter (A) have been negotiated and arrived at on an arm's length basis, the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms and conditions of the 2018 Renewal Offer Letter (A) (including the New Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

A connected transaction committee comprising all the independent non-executive Directors and Mr. Wong Man Kong, Peter, a non-executive Director (the “**Connected Transaction Committee**”) was authorised by the Board to review and approve, among others, the continuing connected transaction in respect of the 2018 Renewal Offer Letter (A) (including the New Annual Caps). Both Mr. Leung Hay Man and Mr. Wu King Cheong, being members of the Connected Transaction Committee, are common directors of the Company, Henderson Land and Henderson Investment. Both of them were not counted in the quorum and did not vote, and other Directors not being members of the Connected Transaction Committee did not participate, in the meeting of the Connected Transaction Committee where the 2018 Renewal Offer Letter (A) (including the New Annual Caps) and the transactions contemplated thereunder were reviewed and approved.

Dr. Lee Shau Kee and Mr. Li Ning are regarded as materially interested in the 2018 Renewal Offer Letter (A) through their interest or deemed interest in shares in Henderson Land and through Henderson Land’s interest in Henderson Investment. As they were not members of the Connected Transaction Committee, they did not participate in the meeting of the Connected Transaction Committee where the 2018 Renewal Offer Letter (A) (including the New Annual Caps) and the transactions contemplated thereunder were reviewed and approved.

## **5. LISTING RULES IMPLICATIONS**

Citistore is a wholly-owned subsidiary of Henderson Investment and an indirectly non-wholly owned subsidiary of Henderson Land. Henderson Investment is a subsidiary of Henderson Land. HREAL is a direct wholly-owned subsidiary of Henderson Land. Henderson Land is a substantial shareholder (as defined in the Listing Rules) of the Company, which indirectly holds approximately 33.4% of the issued shares of the Company. Therefore, Citistore and HREAL (as agent of HPI and LF but acting as a party to the Tenancy Renewal Offer Letters) are connected persons of the Company under the Listing Rules. The entering into of the 2018 Renewal Offer Letter (A) with Citistore and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of 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% on an aggregate annual basis, and those transactions are conducted on normal commercial terms, those transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will 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.

## **6. GENERAL INFORMATION**

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

The principal business activity of Henderson Investment is investment holding and the principal business activities of its subsidiaries are investment holding and department store operation.

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

The principal business activity of Citistore is 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.

## **7. DEFINITIONS**

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

“2017 Announcement”	the announcement of the Company dated 23 June 2017 in which, among other things, the terms of the 2017 Renewal Offer Letter (A) and the 2017 Renewal Offer Letter (B) were summarised;
“2017 Renewal Offer Letter (A)”	the renewal offer letter (A) dated 23 June 2017 issued by Citistore as tenant to HREAL (as agent of HPI and LF) as landlord in respect of the leasing of the Previous Premises (1) and Premises (2) for one year from 1 July 2017 to 30 June 2018 (both days inclusive), as disclosed in the 2017 Announcement;
“2017 Renewal Offer Letter (B)”	the renewal offer letter (B) dated 23 June 2017 issued by Citistore as tenant to HREAL (as agent of HPI and LF) as landlord in respect of the leasing of Premises (3) for three years from 1 July 2017 to 30 June 2020 (both days inclusive), as disclosed in the 2017 Announcement;
“2018 Renewal Offer Letter (A)”	the renewal offer letter (A) dated 22 June 2018 issued by Citistore as tenant to HREAL (as agent of HPI and LF) as landlord in respect of the leasing of Premises (1) and Premises (2) for two years from 1 July 2018 to 30 June 2020 (both days inclusive);
“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 Investment and an indirectly non-wholly owned subsidiary of Henderson Land;

“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 thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Government”	the government of Hong Kong;
“Group”	the Company and its subsidiaries;
“Henderson Investment”	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);
“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);
“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 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 the Company;
“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;
“LF”	Lenfield Limited 良輝有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“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”	collectively, Premises (1), Premises (2) and Premises (3);
“Premises (1)”	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 with an aggregate gross floor area of 46,343 square feet;
“Premises (2)”	bridge area on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong;
“Premises (3)”	Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong;
“Previous Premises (1)”	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 with an aggregate gross floor area of 49,569 square feet;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Renewal Offer Letters”	collectively, the 2017 Renewal Offer Letter (A), the 2017 Renewal Offer Letter (B) and the 2018 Renewal Offer Letter (A); and
“%”	per cent.

By Order of the Board  
**Yuen Wai Kuen**  
*Company Secretary*

Hong Kong, 22 June 2018

*As at the date of this announcement, the executive directors of the Company are Dr. 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.*