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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)

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
SALES MANAGEMENT AGREEMENT**

AND

**(2) CONNECTED TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO LETTER AGREEMENT**

On 10 June 2022, World Fame (a wholly-owned subsidiary of the Company) and HPAL (an indirect wholly-owned subsidiary of Henderson Land) entered into (i) the Sales Management Agreement pursuant to which HPAL shall be appointed as the sales manager to provide project sales and marketing services in respect of the Proposed Development to World Fame being the developer of the Proposed Development; and (ii) the Letter Agreement pursuant to which HPAL will provide the Premises rented under the Miramar/HPAL Agreement for use as show flats and sales office for the sale of the residential units of the Proposed Development.

HPAL is an indirect wholly-owned subsidiary of Henderson Land, which in turn is a substantial shareholder (as defined in the Listing Rules) of the Company indirectly holding approximately 33.41% of the issued shares of the Company. Therefore, HPAL is a connected person of the Company under Chapter 14A of the Listing Rules. The entering into of (i) the Sales Management Agreement constitutes a continuing connected transaction of the Company and (ii) the Letter Agreement constitutes a one-off connected transaction (in respect of the fixed rental payments) and continuing connected transactions (in respect of the management fees, air-conditioning charges and promotion contribution being variable payments) of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the highest annual cap amount for the transactions contemplated under the Sales Management Agreement exceed(s) 0.1% but are all less than 5%, and those transactions are conducted on normal commercial terms, the transactions contemplated thereunder are 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.

Given that (i) the applicable percentage ratios in respect of the Letter Agreement on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the rent, are all less than 0.1%; and (ii) all the applicable percentage ratios on the basis of the annual cap amount of the management fees, air-conditioning charges and promotion contribution under the Letter Agreement are all less than 5% and such annual cap amount is less than HK\$3,000,000, the Letter Agreement and the transactions contemplated thereunder, on a standalone basis, are de minimis transactions and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, as one or more of the applicable percentage ratios in respect of the annual cap amount under the Letter Agreement, when aggregated with the highest annual cap amount under the Sales Management Agreement, exceed 0.1% but are all less than 5%, and those transactions are conducted on normal commercial terms, the continuing connected transactions contemplated under the Letter 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 SALES MANAGEMENT AGREEMENT

On 10 June 2022, World Fame (a wholly-owned subsidiary of the Company) and HPAL (an indirect wholly-owned subsidiary of Henderson Land) entered into the Sales Management Agreement pursuant to which HPAL shall be appointed as the sales manager to provide project sales and marketing services in respect of the Proposed Development to World Fame being the developer of the Proposed Development.

The principal terms of the Sales Management Agreement are set out as follows:

1. Date:

10 June 2022

2. Parties:

World Fame, a wholly-owned subsidiary of the Company

HPAL, an indirect wholly-owned subsidiary of Henderson Land

3. Subject matter:

Pursuant to the Sales Management Agreement, HPAL shall be appointed as the sales manager to provide project sales and marketing services (including but not limited to advertising, preparing sales information and materials, negotiating with prospective purchasers and liaising with other relevant parties in relation to the sales of the residential units) in respect of the Proposed Development.

Completion of the Proposed Development is currently expected to take place in 2024 and World Fame currently intends to sell the residential units of the Proposed Development only.

4. Term:

Subject to early termination by the parties to the Sales Management Agreement, the appointment of HPAL for the provision of the project sales and marketing services in respect of the Proposed Development shall be for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development, which is currently expected to be in June or July 2022.

5. Consideration and terms of payment:

HPAL shall be remunerated for the services provided pursuant to the Sales Management Agreement by receiving a sales fee equivalent to 0.5% of the gross proceeds of sale of such part(s) of the residential units and such other portions of the Proposed Development as World Fame may from time to time decide, in respect of which sale and purchase agreements (including preliminary sale and purchase agreements) have been entered into but excluding those sale and purchase agreements effected by third party sales agent(s), subject to the annual caps set out below (the “**SMA Annual Caps**”):

| Term | SMA Annual Caps HK\$ |
|--|---------------------------------|
| For the year ending 31 December 2022 | 8,000,000 |
| For the year ending 31 December 2023 | 3,000,000 |
| For the year ending 31 December 2024 | 2,000,000 |
| For the period from 1 January 2025 to 31 May 2025 (but only up to and including the date being 3 years from the commencement date of the term) | 1,000,000 |

The sales fee will be paid in the following manner:

- (i) in respect of those sale and purchase agreements entered into on or prior to the date on which an occupation permit for the Proposed Development is issued (the “**1st Relevant Date**”), within 45 days from the 1st Relevant Date;
- (ii) in respect of those sale and purchase agreements entered into after the 1st Relevant Date but on or prior to the date which is six months thereafter (the “**2nd Relevant Date**”), within 45 days from the 2nd Relevant Date; and
- (iii) in respect of those sale and purchase agreements entered into after the 2nd Relevant Date but on or prior to the date which is one year after the issuance of the occupation permit in respect of the Proposed Development (the “**Final Date**”), within 45 days from the Final Date.

Further, pursuant to the Sales Management Agreement, all out-of-pocket expenses reasonably incurred by HPAL pursuant to or in the performance of its duties and functions under the Sales Management Agreement shall be paid by World Fame.

The remuneration payable by World Fame to HPAL for the services to be provided by HPAL under the Sales Management Agreement was determined by World Fame and HPAL on arm's length basis with reference to the fee scale of the sales management services for similar projects undertaken by HPAL. The amounts of the SMA Annual Caps were determined based on the Group's estimate of the number of residential units of the Proposed Development to be sold and the estimated sale price of the residential units during the respective periods. The remuneration under the Sales Management Agreement will be paid by the Group out of its internal resources.

THE LETTER AGREEMENT

On 10 June 2022, World Fame and HPAL entered into the Letter Agreement pursuant to which HPAL will provide the Premises rented under the Miramar/HPAL Agreement for use as show flats and sales office for the sale of the residential units of the Proposed Development.

The principal terms of the Letter Agreement are set out as follows:

1. Date:

10 June 2022

2. Parties:

World Fame, a wholly-owned subsidiary of the Company

HPAL, an indirect wholly-owned subsidiary of Henderson Land, being the tenant under the Miramar/HPAL Agreement

3. Subject matter:

HPAL will provide the Premises rented under the Miramar/HPAL Agreement for use as show flats and sales office for the sale of the residential units of the Proposed Development.

4. Premises:

Portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

5. Term:

Commencing from 10 June 2022 to the Completion Date, both days inclusive.

6. Consideration and terms of payment:

World Fame shall reimburse HPAL for the following rental and other expenses payable by HPAL under the Miramar/HPAL Agreement in respect of the tenancy arrangement of the Premises during the term of the Letter Agreement:

- (i) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK\$169,500;

- (ii) Government rates during the term is HK\$22,500 per quarter subject to review by the Government from time to time;
- (iii) aggregate monthly management fee and air-conditioning charges (subject to periodic review by HPAL with reference to the periodic review by Shahdan or its designated management company of the Premises under the Miramar/HPAL Agreement) during the term is HK\$32,692; and
- (iv) monthly promotion contribution (subject to periodic review by HPAL with reference to the periodic review by Shahdan) during the term is HK\$3,390.

The rent and other charges mentioned above were determined with reference to the rent and other charges under the Miramar/HPAL Agreement.

7. Accounting implications and treatment under Listing Rules:

In accordance with the Hong Kong Financial Reporting Standards 16, *Leases*, issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group, different accounting treatments will apply to different components of the payments to be made by the Group under the Letter Agreement, i.e. fixed payments and variable payments. The Group will recognise the rent (being fixed payments) payable under the Letter Agreement as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. HK\$2,350,000 to be recognised by the Group, having been initially measured on the basis of the discounted present value of the fixed rent payable by the Group under the Letter Agreement. Such acquisition of right-of-use asset will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, air-conditioning charges and the promotion contribution to be paid by the Group under the Letter Agreement (being variable payments) will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

8. Annual Caps

The Board expects that the aggregate amounts of management fees, air-conditioning charges and the promotion contribution payable by World Fame to HPAL pursuant to the Letter Agreement will not exceed the cap amounts stated below (the "**LA Annual Caps**"). The cap amounts were determined with reference to the aggregate amounts of management fees, air-conditioning charges and the promotion contribution estimated to be payable under the Letter Agreement during the relevant period, together with a buffer for adjustments to the amounts payable, which will be paid by the Group out of its internal resources:

| Term | LA Annual Caps HK\$ |
|--|------------------------|
| For the period from 10 June 2022 to 31 December 2022 | 330,000 |
| For the period from 1 January 2023 to 4 August 2023 | 330,000 |

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES MANAGEMENT AGREEMENT AND THE LETTER AGREEMENT

The Group plans to complete the Proposed Development for future sale of residential units of the Proposed Development and is therefore required to appoint qualified sales manager for the sale of the residential units of the Proposed Development. HPAL has been appointed as the sales manager of the Proposed Development pursuant to the Sales Management Agreement made on customary warranties and normal commercial terms. Pursuant to the provisions of the Sales Management Agreement, HPAL has to carry out marketing work for the sale of the residential units of the Proposed Development. In order to provide such services, it is necessary to set up show flats and sales office for the sale of the residential units of the Proposed Development. The Group is of the view that the Premises are suitable for show flats and sales office of the Proposed Development because of the location and ancillary facilities and therefore has entered into the Letter Agreement on normal commercial terms for the use of the Premises as show flats and sales office of the Proposed Development.

As HPAL has a strong and experienced sales management and marketing team in Hong Kong, the Directors consider that it is an appropriate candidate to be appointed as the sales manager for the Proposed Development. HPAL has served as sales 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. Owing to the long-term relationship between HPAL and the Group established from the previous projects, the appointment of HPAL as sales manager of the Proposed Development will enhance work efficiency and effective communication.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of each of the Sales Management Agreement and the Letter Agreement 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 of the Sales Management Agreement (including the SMA Annual Caps) and the Letter Agreement (including the LA Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

HPAL is an indirect wholly-owned subsidiary of Henderson Land, which in turn is a substantial shareholder (as defined in the Listing Rules) of the Company indirectly holding approximately 33.41% of the issued shares of the Company. Therefore, HPAL is a connected person of the Company under Chapter 14A of the Listing Rules. The entering into of (i) the Sales Management Agreement constitutes a continuing connected transaction of the Company and (ii) the Letter Agreement constitutes a one-off connected transaction (in respect of the fixed rental payments) and continuing connected transactions (in respect of the management fees, air-conditioning charges and promotion contribution being variable payments) of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the highest annual cap amount for the transactions contemplated under the Sales Management Agreement exceed(s) 0.1% but are all less than 5%, and those transactions are conducted on normal commercial terms, the transactions contemplated thereunder are 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.

Given that (i) the applicable percentage ratios in respect of the Letter Agreement on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the rent, are all less than 0.1%; and (ii) all the applicable percentage ratios on the basis of the annual cap amount of the management fees, air-conditioning charges and promotion contribution under the Letter Agreement are all less than 5% and such annual cap amount is less than HK\$3,000,000, the Letter Agreement and the transactions contemplated thereunder, on a standalone basis, are de minimis transactions and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, as one or more of the applicable percentage ratios in respect of the annual cap amount under the Letter Agreement, when aggregated with the highest annual cap amount under the Sales Management Agreement, exceed 0.1% but are all less than 5%, and those transactions are conducted on normal commercial terms, the continuing connected transactions contemplated under the Letter 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.

Mr. Li Ning, a Director of the Company, is regarded as materially interested in the Sales Management Agreement and the Letter Agreement by virtue of his interest or deemed interest in the issued shares of Henderson Land. Accordingly, Mr. Li had abstained from voting on the board resolutions to approve the Sales Management Agreement (including the SMA Annual Caps), the Letter Agreement (including the LA Annual Caps) and the transactions contemplated thereunder. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Sales Management Agreement and the Letter Agreement.

GENERAL INFORMATION

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses and securities investment.

The principal activity of World Fame is property development.

Henderson Land is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, construction, project management, property management, finance, department store operation, hotel operation and investment holding. The shareholding information of Henderson Land is available on the Stock Exchange's website (<https://www.hkexnews.hk/>).

The principal activity of HPAL is property sales agency services.

DEFINITIONS

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

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| “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); |

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| “Completion Date” | the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold; |
| “connected person(s)” | has the meaning ascribed to it 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 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; |
| “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 an indirect wholly-owned subsidiary of Henderson Land; |
| “Letter Agreement” | the letter agreement dated 10 June 2022 entered into between World Fame and HPAL in relation to the tenancy arrangement concerning the Premises for the period from 10 June 2022 to the Completion Date; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Miramar” | Miramar Hotel and Investment Company, Limited 美麗華酒店企業有限公司, 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: 71); |
| “Miramar/HPAL Agreement” | the agreement entered into between Shahdan as landlord and HPAL as tenant in respect of the tenancy of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, as disclosed in the announcement of Miramar dated 31 July 2020; |

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| “Premises” | Portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong; |
| “Proposed Development” | the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 with a gross floor area of approximately 100,699 square feet comprising of two blocks of residential buildings and a commercial podium with ancillary car parking spaces, which is held by Urban Renewal Authority as the owner and World Fame has been engaged as the developer; |
| “Sales Management Agreement” | the sales management agreement dated 10 June 2022 entered into between World Fame and HPAL in respect of, among other things, the appointment of HPAL as the sales manager of the Proposed Development; |
| “Shahdan” | Shahdan Limited 正信有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Miramar; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “World Fame” | World Fame Shipping Limited 緯信船務有限公司, 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, 10 June 2022

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 and Mr. Lau Yum Chuen, Eddie; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.