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HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)
(Stock Code: 00050)

CONTINUING CONNECTED TRANSACTIONS

Lenfield, a wholly-owned subsidiary of the Company, on 27 November 2008 entered into the Sales Management Agreement with HREAL pursuant to which Lenfield, being owner of the Tai Kok Tsui Property, has appointed HREAL as the sales manager for the Proposed Development for a term of 3 years commencing on 1 November 2008. On 15 August 2008, HREAL entered into the Miramar/HREAL Agreements with Shahdan, a wholly-owned subsidiary of Miramar. On 27 November 2008, HREAL and Lenfield entered into a letter agreement providing that in respect of the period from 16 June 2008 to the Completion Date, HREAL would act as agent of Lenfield and Lenfield shall be the principal under the Miramar/HREAL Agreements with Shahdan.

HREAL is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, the subsidiaries of which hold approximately 31.36 per cent. of the entire issued share capital of the Company. Therefore, HREAL is a connected person of the Company under the Listing Rules. According to public records, Henderson Land is a substantial shareholder of Miramar holding approximately 44.21 per cent. of the issued shares in Miramar. Therefore, Miramar is also a connected person of the Company under the Listing Rules. The entering into of the Sales Management Agreement and the Tenancy Arrangements by Lenfield each constitute a continuing connected transaction of the Company under the Listing Rules.

As certain of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under each of the Sales Management Agreement and the Tenancy Arrangements and under both on aggregation, are on an annual basis more than 0.1 per cent. but less than 2.5 per cent., such transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and in accordance with Rule 14A.34, are exempt from the independent shareholders' approval requirements of Chapter 14A the Listing Rules. Pursuant to Rule 14A.46 of the Listing Rules, details of the Sales Management Agreement and the Tenancy Arrangements disclosed in this announcement will be included in the next published annual report of the Company.

CONTINUING CONNECTED TRANSACTIONS

A. Sales Management Agreement

1. Date:

27 November 2008

2. Parties:

Lenfield, a wholly-owned subsidiary of the Company
HREAL, a wholly-owned subsidiary of Henderson Land

3. Proposed transaction:

Lenfield has entered into the Sales Management Agreement with HREAL for the appointment of HREAL as the sales manager in respect of the Proposed Development. Lenfield currently intends to sell only the residential units of the Proposed Development. Completion of the Proposed Development is currently expected to take place in late 2008. The Proposed Development is a comprehensively planned development with a gross floor area of approximately 320,000 square feet consisting of residential and commercial components together with ancillary supporting facilities on the Tai Kok Tsui Property at 83 Sycamore Street, Kowloon, Hong Kong.

4. Term:

The appointment of the sales manager shall be for a term of 3 years commencing on 1 November 2008, unless terminated earlier by any party in accordance with the Sales Management Agreement.

5. Consideration and terms of payment:

Pursuant to the Sales Management Agreement, HREAL shall, inter alia, serve as the sales manager of the Proposed Development in consideration for a Sales Fee of half of one per cent. (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 Lenfield may from time to time decide, in respect of which 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 respective ceilings of HK\$0, HK\$2,000,000, HK\$400,000 and HK\$200,000 for the two months ending 31 December 2008, the years ending 31 December 2009 and 31 December 2010, and the ten months ending 31 October 2011 respectively. The Sales Fee shall be paid in the following manner:

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

The amount of the annual caps mentioned above are based on the Group's estimate of the number of residential units of the Proposed Development to be sold and the sale price during the respective periods.

It is the understanding of Lenfield and HREAL that the rate of the Sales Fee as described above is less than the general market rate of agency fees for third party sales agents because the work to be undertaken by HREAL is more administrative in nature, whereas third party agents would deal more actively and directly with potential purchasers and in relation to the sale and purchase transactions.

The Sales Fee was determined by Lenfield and HREAL on an arm's length basis. The fee percentage of the Sales Fee is similar to that payable to HREAL as sales manager in respect of the redevelopment of the Group's properties located at Nos. 43, 45, 47, 49, 51 and 51A Tong Mi Road, Kowloon and No. 6 Cho Yuen Street, Yau Tong, Kowloon. The Sales Fee will be paid by the Group out of its internal resources.

B. Reason for the Sales Management Agreement

As HREAL 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 of the Proposed Development. HREAL has served as sales manager for a number of Henderson Land Group projects 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 HREAL and the Group established during previous projects, the appointment of HREAL as sales manager of the Proposed Development would enhance work efficiency and effective communication.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sales Management Agreement are on normal commercial terms and were arrived at after negotiations on an arm's length basis, and the transactions contemplated therein are in the ordinary and usual course of business of the Group. The board of Directors (including all the independent non-executive Directors) consider that they are fair and reasonable to the shareholders of the Company as a whole and in the interests of the Company. Directors who were regarded as being interested in the Sales Management Agreement did not take part in the voting for the approval of the same.

C. Connected Person

HREAL is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, the subsidiaries of which hold approximately 31.36 per cent. 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 Sales Management Agreement by Lenfield constitutes a continuing connected transaction of the Company under the Listing Rules.

TENANCY ARRANGEMENTS

A. The Tenancy Arrangements

On 15 August 2008, HREAL entered into the Miramar/HREAL Agreements with Shahdan. On 27 November 2008, HREAL and Lenfield entered into a letter agreement providing that in respect of the period from 16 June 2008 to the Completion Date,

HREAL would act as agent of Lenfield and Lenfield shall be the principal under the Miramar/HREAL Agreements with Shahdan (the “**Tenancy Arrangements**”).

The premises the subject of the Tenancy Arrangements are the same as the premises under the Miramar/HREAL Agreements, being (i) the Tenancy Agreement, (ii) the First Licence Agreement, and (iii) the Second Licence Agreement, all as disclosed in the announcement of Miramar dated 15 August 2008. While the Miramar/HREAL Agreements cover a period of 36 months, the Tenancy Arrangements cover only a maximum period of 18 months out of the 36-month period.

The premises being leased and licensed by Lenfield under the Tenancy Arrangements are intended to be used by HREAL as a sales office and show-flats for the marketing of the Proposed Development as part of the property agency services provided by HREAL to Lenfield.

B. Annual caps

The aggregate annual rental, licence fees and other charges payable by Lenfield under the Tenancy Arrangements for the period from 16 June 2008 to 31 December 2008 and for the financial year ending 31 December 2009 shall be a maximum of HK\$5,000,000 and HK\$8,500,000 respectively. The maximum amounts were based on the annual rental, management fees, licence fees, air-conditioning charges and other relevant fees and charges under the Miramar/HREAL Agreements, which in turn were determined after arm’s length negotiations between the parties.

The above maximum amounts of the aggregate rental, licence fees and other charges payable by Lenfield under the Tenancy Arrangements in respect of the Miramar/HREAL Agreements were estimated on the basis of the following breakdown:

		For the period from 16 June 2008 to 31 December 2008 HK\$	Year Ending 31 December 2009 HK\$
	Charges covered		
Tenancy Agreement	Rent, management fee and air-conditioning charges, promotion contribution, and other miscellaneous fees and expenses	3,640,000	6,100,000
First Licence Agreement	Licence fee, management fee, and other miscellaneous fees and expenses	1,150,000	2,000,000
Second Licence Agreement	Licence fee and other miscellaneous fees and expenses	210,000	400,000
Total		<u>5,000,000</u>	<u>8,500,000</u>

C. Reason for the Tenancy Arrangements

HREAL has been appointed the sales manager of the Proposed Development pursuant to the Sales Management Agreement. As part of such role as sales manager, it is necessary for HREAL to set up a sales office and show-flats for sale of the residential units of the Proposed Development. The Company is of the view that Miramar Shopping Centre provides suitable premises for a sales office of the Proposed Development because of its location and ancillary facilities.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Tenancy Arrangements are on normal commercial terms and were arrived at after negotiations on an arm's length basis, and the transactions contemplated therein are in the ordinary and usual course of business of the Group. The board of Directors (including all the independent non-executive Directors) consider that they are fair and reasonable to the shareholders of the Company as a whole and in the interests of the Company. Directors who were regarded being as interested in the Tenancy Arrangements did not take part in the voting for the approval of the same.

D. Connected Persons

Since HREAL is a wholly-owned subsidiary of Henderson Land, a substantial shareholder (as defined in the Listing Rules) of the Company, and the subsidiaries of Henderson Land hold approximately 31.36 per cent. of the issued share capital of the Company, HREAL is connected person of the Company.

According to public records, Henderson Land is a substantial shareholder of Miramar holding approximately 44.21 per cent. of the issued shares in Miramar. Therefore, Miramar is a connected person of the Company.

The Tenancy Arrangements constitute continuing connected transactions of the Company.

LISTING RULES IMPLICATIONS

Certain of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under each of the Sales Management Agreement and the Tenancy Arrangements, and under both on aggregation, are on an annual basis more than 0.1 per cent. but less than 2.5 per cent.. Therefore, such transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and in accordance with Rule 14A.34, are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.46 of the Listing Rules, details of the Sales Management Agreement and the Tenancy Arrangements disclosed in this announcement will be included in the next published annual report of the Company. The Company will observe the annual review and other requirements as regards continuing connected transactions under the Listing Rules as and when applicable from time to time.

GENERAL INFORMATION

The Group is principally engaged in the businesses of property development and investment, hotel management, shipyard operations, travel agency and ferry operations.

Henderson Land is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, project management, building construction, property management, infrastructure, hotel operation, department store operation, finance and investment holding. The principal activities of HREAL are project and sales management.

The principal business of Shahdan is property rental.

DEFINITIONS

“Company”	Hong Kong Ferry (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion Date”	the earlier of 15 December 2009 and the date on which the last residential unit in the Proposed Development to be sold is sold
“Director(s)”	director(s) of the Company
“First Licence Agreement”	a licence agreement dated 15 August 2008 entered into between Shahdan as licensor and HREAL as licensee in respect of Portion of the Podium Roof, 3rd Floor, Miramar Shopping Centre
“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 Stock Exchange
“Henderson Land Group”	Henderson Land and its subsidiaries
“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

“Lenfield”	Lenfield Limited, 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
“Miramar”	Miramar Hotel and Investment Company, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Miramar Shopping Centre”	Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong
“Miramar/HREAL Agreements”	(i) the Tenancy Agreement, (ii) the First Licence Agreement, and (iii) the Second Licence Agreement, all as disclosed in the announcement of Miramar dated 15 August 2008
“Proposed Development”	the comprehensively planned development consisting of residential and retail components together with ancillary supporting facilities on the Tai Kok Tsui Property
“Sales Fee”	the fee payable by Lenfield to HREAL pursuant to the terms of the Sales Management Agreement
“Sales Management Agreement”	the agreement dated 27 November 2008 entered into between Lenfield and HREAL in respect of, inter alia, the appointment of HREAL as the sales manager of those parts or units of the Proposed Development which are intended for sale
“Second Licence Agreement”	a licence agreement dated 15 August 2008 entered into between Shahdan as licensor and HREAL as licensee in respect of the Fan Room, 3rd Floor, Miramar Shopping Centre
“Shahdan”	Shahdan Limited, a wholly-owned subsidiary of Miramar
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Kok Tsui Property”	all that piece or parcel of ground located at 220-222 Tai Kok Tsui Road, Kowloon, now known as 83 Sycamore Street, Hong Kong

“Tenancy Agreement”	a tenancy agreement dated 15 August 2008 entered into between Shahdan as landlord and HREAL as tenant in respect of Shop 3013, 3rd Floor, Miramar Shopping Centre
“Tenancy Arrangements”	shall have the meaning as ascribed thereto under the section headed “Tenancy Arrangements” above
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
Colin K.Y. Lam
Chairman

Hong Kong, 27 November 2008

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 Shau Kee, Mr. Leung Hay Man and Mr. Wong Man Kong, Peter; and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.