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**HKR INTERNATIONAL LIMITED**  
**香港興業國際集團有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 00480)**

**CONNECTED TRANSACTION**  
**Disposal of shares in Taconic within**  
**the Broad Base Fund**

The Directors of the Company announce that on 11 December 2008, Broad Base, as vendor, entered into a sale and purchase agreement with Cagen, as purchaser, in relation to the sale by the vendor to the purchaser of shares in Taconic, being one of the assets comprised within the Broad Base Fund.

Broad Base is a wholly-owned subsidiary of the Company and Cagen is a connected person of the Company. The consideration, payable by Cagen to Broad Base on or before 31 December 2008, will equate to the net asset value of the underlying assets on 30 November 2008 as determined by the hedge fund manager of Taconic, which is independent from both Broad Base and Cagen and their associates, and whose valuation is generally based upon market price of the underlying marketable securities quoted on recognised stock exchanges or over-the-counter or through independent brokers and appraisers or, otherwise, as estimated by Taconic's fund manager, Taconic Capital Advisors. Based upon the 31 October 2008 valuation provided by the hedge fund manager of Taconic (and adjusted for its estimate of portfolio performance in November 2008), Broad Base and Cagen anticipate that the net asset value of the relevant underlying assets on 30 November 2008 will be in the order of US\$2,998,800 (HK\$23,387,641) and this is the amount to be paid to Broad Base on or before 31 December 2008. The consideration is subject to adjustment, on a dollar for dollar basis, as per the final valuation of the underlying assets as of 30 November 2008 which will not be available till mid-January 2009.

**INTRODUCTION**

Broad Base is a wholly-owned subsidiary of the Company and Cagen is a company that is ultimately under the control of trustees of certain discretionary trusts of which members of the classes of discretionary beneficiaries are, among others, directors of the Company and members of the Cha family which, in turn, collectively hold a total equity interest of 50.83% in the Company. Cagen is therefore a connected person of the Company.

On 7 February 2007, Broad Base and Cagen entered into a LLC Agreement pursuant to which each contributed its portfolio of assets (in Broad Base's case, being the Broad Base Fund). The LLC Agreement was the subject of the Company's announcement dated 8 February 2007 and circular dated 2 March 2007.

On 27 June 2008, Broad Base notified Cagen, as manager, of its desire to redeem all of its investments in the Broad Base Fund and receive the proceeds from the redemption of the underlying portfolio investments pursuant to the terms of the LLC Agreement.

The Group wishes to monetise the Broad Base Fund so as to provide capital for its core business projects in Discovery Bay, Hong Kong and Jingan, Shanghai and otherwise for general working capital purposes. Although substantially all of the Broad Base Fund has been or remains readily redeemable, certain of the underlying investments are subject to 'lock-up periods' or 'gate' provisions that restrict or limit redemptions. This is the case in respect of the interest in Taconic.

### **TACONIC HEDGE FUND UNDER THE BROAD BASE FUND**

Taconic is a private investment fund company whose underlying assets comprise long, short and hedged positions in quoted and unquoted securities, bonds, loans, hedges and derivative transactions, contracts the value of which depends on the levels of specific securities, a group of securities or indices, other securities, and other positions. Taconic is not a subsidiary of the Company, either before or after the transaction.

The interest in Taconic which is the subject of disposal was purchased, on behalf of Broad Base, in December 2005 for US\$2.5 million (HK\$19.5 million).

The book value of Taconic in the records of the Group as at 30 September 2008 was approximately HK\$23.9 million. The net profits, both before and after taxation, attributable to Taconic for the financial years ended 31 March 2007 and 31 March 2008 were approximately HK\$3.7 million and HK\$1.7 million, respectively. The net loss expected to accrue to the Company on disposal will be approximately HK\$534,000, which is arrived at by deducting the carrying value of the Taconic shares from the consideration paid by Cagen. There was no dividend income received from Taconic for the financial years ended 31 March 2007 and 31 March 2008.

According to Hong Kong accounting standards, the Broad Base Fund, including the Taconic shares, is classified as financial assets at fair value through profit or loss under current assets of the Group.

### **TERMS OF THE SALE AND PURCHASE AGREEMENT**

<b>Date</b>	11 December 2008.
<b>Parties</b>	Broad Base, as vendor; and Cagen, as purchaser.
<b>Transaction</b>	Broad Base, as vendor, shall sell to Cagen, as purchaser, shares in Taconic, being one of the assets comprised within the Broad Base Fund.
<b>Consideration</b>	The consideration, payable by Cagen to Broad Base on or before 31 December 2008, will equate to the net asset value of the underlying assets on 30 November 2008 as determined by the hedge fund

manager of Taconic, which is independent from both Broad Base and Cagen and their associates, and whose valuation is generally based upon market price of the underlying marketable securities quoted on recognised stock exchanges or over-the-counter or through independent brokers and appraisers or, otherwise, as estimated by Taconic's fund manager, Taconic Capital Advisors. Based upon the 31 October 2008 valuation provided by the hedge fund manager of Taconic (and adjusted for its estimate of portfolio performance in November 2008), Broad Base and Cagen anticipate that the net asset value of the relevant underlying assets on 30 November 2008 will be in the order of US\$2,998,800 (HK\$23,387,641) and this is the amount to be paid to Broad Base on or before 31 December 2008. The consideration is subject to adjustment, on a dollar for dollar basis, as per the final valuation of the underlying assets as of 30 November 2008 which will not be available till mid-January 2009. In circumstances where the final valuation is less than the consideration paid, then there will be a straight rebate for cash, dollar for dollar, to the cash account maintained by Broad Base with Cagen as soon as reasonably practicable after the valuation has been finalised, latest by 31 January 2009.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

In the ordinary course, the Company would not be able to realise cash in respect of its underlying investment in Taconic until December 2009 in light of the 'lock-up' applicable to Broad Base's interest in Taconic. However, with Cagen willing to assist the Group by purchasing Broad Base's interest in Taconic, the Group is able to monetise the investment approximately 12 months early.

Moreover, with the Group wishing to source capital for its core business activities and given the continuing volatility in the securities markets, the Directors are of the view that the sale of the Taconic interest is timely and in the best interests of the Company.

## **DIRECTORS' VIEWS**

The Directors (including the independent non-executive Directors) are satisfied that the terms of the sale and purchase agreement are fair and reasonable, and on arm's length basis. Moreover they are of the opinion that it is in the best interests of the Company and all of its shareholders that Broad Base should realise its investment in Taconic.

## **INFORMATION ON THE COMPANY AND OTHERS**

The Company is an investment holding company incorporated in the Cayman Islands. The Group is principally engaged in property development, property investment, property management and related services, hotel and hospitality businesses and healthcare services.

Broad Base is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability. Broad Base owns a portfolio of investments, the Broad Base Fund, as placed under the management of Cagen under the LLC Agreement.

Cagen is an investment management company incorporated in the British Virgin Islands and which has operated since 1993. Cagen's principal business is to manage assets belonging to the Cha family.

BC Investment is an investment company incorporated in Anguilla, and it has no business other than the holding of funds and related matters as contemplated under the LLC Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Cagen is a company that is ultimately under the control of trustees of certain discretionary trusts of which members of the classes of discretionary beneficiaries are, among others, directors of the Company and members of the Cha family which, in turn, collectively hold a total equity interest of 50.83% in the Company. Cagen is therefore a connected person of the Company under the Listing Rules.

Accordingly, the sale of certain share classes in the Taconic hedge fund under the Broad Base Fund by Broad Base to Cagen constitutes a connected transaction for the Company subject to the requirements of reporting and announcement as set out in Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) is less than 2.5%, the sale is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, and is exempt from the independent shareholders' approval requirement.

## **DEFINITIONS**

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

"BC Investment"	BC Investment LLC, a company incorporated in Anguilla with limited liability;
"Broad Base"	Broad Base International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
"Broad Base Fund"	the portfolio of investments owned by Broad Base as placed under the management of Cagen under the LLC Agreement;
"Cagen"	Cagen Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
"Company"	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	The Special Administrative Region of Hong Kong of the People's Republic of China;

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
"LLC Agreement"	the Limited Liability Company Agreement of BC Investment dated 7 February 2007 entered into between Broad Base and Cagen relating to the terms upon which certain interests of Broad Base will be contributed to BC Investment, to be managed by Cagen for and on behalf of Broad Base;
"Taconic"	Taconic Opportunity Offshore Fund Ltd.; and
"US\$"	United States dollars, the lawful currency of the United States of America.

This announcement contains conversion of certain US\$ amounts into HK\$ amounts at the rate of US\$1 = HK\$7.799.

By order of the Board  
**LO Tai On**  
*Company Secretary*

Hong Kong, 12 December 2008

*As at the date of this announcement, the Board comprises:*

***Chairman***

*Mr CHA Mou Sing Payson*

***Deputy Chairman & Managing Director***

*Mr CHA Mou Zing Victor*

***Executive Directors***

*Mr CHEUNG Tseung Ming*

*Mr CHUNG Sam Tin Abraham*

*Mr TANG Moon Wah*

***Non-executive Directors***

*The Honourable Ronald Joseph ARCULLI*

*Mr CHA Mou Daid Johnson*

*Mr CHEUNG Wing Lam Linus*

*Ms HO Pak Ching Loretta*

*Ms WONG CHA May Lung Madeline*

***Independent Non-executive Directors***

*Dr CHENG Kar Shun Henry*

*Dr The Honourable CHEUNG Kin Tung Marvin*

*\* Registered under Part XI of the Companies Ordinance, Chapter 32 of the laws of Hong Kong*