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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 remaining interests in BC Investment LLC

The Board announces that on 25 January 2010, the Company's wholly-owned subsidiary, Broad Base, entered into a sale and purchase agreement to sell its remaining interests, the Broad Base Interest, in BC Investment, an investment vehicle, to Cagen (a connected person of the Company and the manager of BC Investment).

The consideration which Broad Base is to receive for the sale of the Broad Base Interest is to be calculated by reference to the net asset values, as at 31 December 2009, of the underlying funds into which Broad Base's money has been invested and which comprise the core components of the Broad Base Interest. Based upon the net asset values of such funds as at 30 November 2009, being the date of the latest available financial information, sale of the Broad Base Interest would generate cash proceeds of approximately US\$18.5 million (approximately HK\$144.3 million). The proceeds of sale will be applied as working capital towards the Group's core business projects in Discovery Bay, Hong Kong and Jingan, Shanghai and otherwise for the Group's working capital purposes.

The sale constitutes a connected transaction which, because of its size, is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

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 the LLC Agreement, forming BC Investment, which is an investment vehicle managed by Cagen, that holds hedge funds and venture capital investments. Each of Broad Base and Cagen holds member interests in BC Investment. The management of BC Investment was vested in Cagen. The LLC Agreement was the subject of the Company's announcement dated 8 February 2007 and circular dated 2 March 2007.

The LLC Agreement, insofar as it applies to the management of assets on behalf of Broad Base was envisaged to run for an initial term of some three years expiring on 31 March 2010. Broad Base informed Cagen in June 2008 that it wished to terminate the LLC Agreement early, and monetise its interests in the underlying investments, in order to provide working capital for the Group's core business projects in Discovery Bay, Hong Kong and Jingan, Shanghai and otherwise for the Group's working capital purposes.

In this context, Cagen has worked, on behalf of Broad Base, to achieve a progressive and systematic liquidation of the underlying investments in BC Investment attributable to Broad Base and to return cash to Broad Base. To provide Broad Base with near term liquidity and at Broad Base's request, Cagen sold the substantial majority of the underlying investments in BC Investment attributable to Broad Base during the severe bear market that characterised the global financial markets in the later half of calendar year 2008 and the first quarter of 2009. To date, an asset portfolio attributable to Broad Base having a net asset value, as of 31 December 2006, of approximately US\$152 million (approximately HK\$1,185 million) has been liquidated so as to generate net cash to Broad Base of approximately US\$112 million (approximately HK\$873 million) through to 30 November 2009, with remaining assets, as at 30 November 2009, valued at approximately US\$18.5 million (approximately HK\$144.3 million). BC Investment is the successor to an investment arrangement between Cagen and Broad Base that originated in 1994. Broad Base invested US\$100 million (approximately HK\$780 million) with Cagen in 1994 and between that date and 30 November 2009, Broad Base has received distributions from Cagen in excess of approximately US\$253 million (approximately HK\$1,973 million) with approximately US\$18.5 million (approximately HK\$144.3 million) of remaining value as of 30 November 2009.

The principal remaining assets owned by BC Investment and attributable to Broad Base constitute a portfolio of investments that are illiquid in nature. Rather than hold out for redemption or sale of these underlying assets, and in order to complete the monetisation of Broad Base's investments on a quicker time frame than would otherwise be achievable, Cagen has agreed to purchase Broad Base's remaining interests in BC Investment for cash on the terms of the Sale and Purchase Agreement.

TERMS OF THE SALE AND PURCHASE AGREEMENT

Date	25 January 2010
Parties	Broad Base, as vendor; Cagen, as purchaser; and BC Investment, as the entity acknowledging transfer of the Broad Base Interest.

Transaction

Broad Base, as vendor, shall sell to Cagen, as purchaser, the interests of Broad Base in BC Investment (the Broad Base Interest) comprising a nominal equity interest in 50% of the membership interest equity capital of BC Investment (the other 50% being owned by Cagen) and Broad Base's asset account in BC Investment comprising Broad Base's indirect interests in a portfolio of ten independently-managed hedge funds and one independent private company investment, valued at approximately US\$18.5 million (approximately HK\$144.3 million) as at 30 November 2009.

The hedge funds referred to above are diverse in nature and include multi-strategy funds (which have long and short positions in public and private equities and fixed income instruments), global macro funds (which invest in fixed income instruments, equities, currencies and commodities), fixed income relative value funds, and event and natural resource funds. These funds may invest directly in various financial instruments and commodities, or in derivative instruments. The private company investment represents a minority interest in a growth stage internet-based financial services company.

Consideration

The consideration payable by Cagen to Broad Base for the Broad Base Interest will comprise the sum of:

- (i) US\$500 (approximately HK\$3,900) for Broad Base's nominal equity interest in 50% of the membership equity capital of BC Investment;
- (ii) approximately US\$1.2 million (approximately HK\$9.2 million) for Broad Base's attributable interest in the above-mentioned private company investment (reflecting Broad Base's cost of investment, the value having been written off in the accounts of the Company); and
- (iii) the sum that is equal to the net asset values, as at 31 December 2009, of the above-mentioned hedge fund interests attributable to Broad Base.

Based on the net asset values of the funds referred to at (iii) above, as at 30 November 2009, the sale of the Broad Base Interest would generate aggregate cash proceeds of approximately US\$18.5 million (approximately HK\$144.3 million).

Conditions and completion

Completion of the sale and purchase of the Broad Base Interest is conditional upon:

- (i) the transaction being approved by the independent shareholders of the Company in a general meeting, as described below; and
- (ii) the parties receiving the information on the net asset values of the above-mentioned hedge funds as at 31 December 2009 (which, for all but two funds, should comprise the audited accounts of such funds, the other two funds not having financial year ends that co-incide with the calendar year end) and such information substantiating that the values of such interests have not changed by more than 20% below or above the values as at 30 November 2009, representing the date to which the latest financial information is available prior to the date of the Sale and Purchase Agreement.

Completion is scheduled to take place on the fifth business day after fulfilment of the last of the conditions. In practice, the parties anticipate that completion is unlikely to occur until at least the second quarter of 2010 given the prospective time frame for receiving audited accounts applicable to the underlying funds with calendar financial year ends.

Further information on the fund values

The net asset value figures as at 31 December 2009 for each of the underlying funds will be supplied to Cagen by the relevant underlying fund managers of those funds in the ordinary course of their business. It should be noted that the aforementioned figures have not been independently verified by the Company. Those fund managers are, in each case, independent of Broad Base, Cagen and their respective associates. It is understood that those fund managers, in turn, will have based the valuations of their own portfolio assets on the market price of the underlying marketable securities quoted on recognised stock exchanges or on over-the-counter trading facilities, or on the quotes of independent brokers or the opinions of independent appraisers and certain of the relevant fund's positions have been valued by the underlying fund managers based on pricing models developed by those underlying fund managers. As noted above, in all but two cases, the values as at 31 December 2009 will be audited net asset values. In the other two cases, the funds do not have financial year ends that co-incide with the calendar year end.

Financial information about the Broad Base Interest

The book value of the underlying hedge funds and venture capital interests in the Company's accounts as at 30 November 2009 was approximately HK\$135.1 million. The net losses, both before and after taxation, attributable to those assets for the financial years ended 31 March 2008 and 31 March 2009, were approximately HK\$5.2 million and HK\$34.5 million respectively.

The net gain expected to accrue to the Company on disposal of the Broad Base Interest, assuming no material change from the financial position as at 30 November 2009, would be approximately HK\$9.2 million, which is arrived at by deducting the carrying value of the underlying interests from the consideration to be paid by Cagen.

REASONS FOR AND BENEFITS OF THE TRANSACTION

In the ordinary course, the Company would not be able to realise further cash amounts in respect of the Broad Base Interest until the remaining underlying investments are either redeemed, which in no instance would be before 31 March 2010, or sold, which the Company understands would not be readily achievable given the illiquid nature of the underlying fund interests. However, by virtue of the Sale and Purchase Agreement, the Company will be able to realise value from the Broad Base Interest on an accelerated basis.

The Company proposes to apply the consideration proceeds towards the working capital requirements of its core business projects identified above and otherwise for the Group's working capital purposes.

DIRECTORS' VIEWS

The Directors (but, in the case of the independent non-executive Directors, subject to the views and advice of an independent financial adviser appointed as required under the Listing Rules) are satisfied that the terms of the sale and purchase agreement are fair and reasonable, and on an 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 the Broad Base Interest for cash at this time.

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 placed money and assets under the management of Cagen pursuant to 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 has been to manage assets belonging to the Cha Family and their respective associates.

BC Investment is an investment company incorporated in Anguilla, and it has no business other than the holding of funds and venture capital investments 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 the Broad Base Interest by Broad Base to Cagen constitutes a connected transaction for the Company which, because of its size, is subject to the reporting, announcement and independent shareholders approval requirements of Chapter 14A of the Listing Rules.

A circular, containing a notice of extraordinary general meeting, relating to the Sale and Purchase Agreement and the matters referred to in this announcement will be despatched to shareholders as soon as practicable. At the extraordinary general meeting only independent shareholders may vote on the matter, meaning that the Cha Family and their associates will abstain from voting.

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;
“Board” or “Directors”	directors of the Company;
“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;
“the Broad Base Interest”	the interests of Broad Base in BC Investment, representing Broad Base’s indirect interests in a portfolio of certain hedge fund assets and a venture capital investment;

“Cagen”	Cagen Holdings Limited, a company incorporated in the British Virgin Islands;
“Cha Family”	the family of the late Dr Cha Chi Ming, the founder and former Chairman of the Company;
“Company”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on The Stock Exchange of Hong Kong Limited;
“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 were contributed to BC Investment, and managed by Cagen for and on behalf of Broad Base;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 January 2010 between Broad Base, Cagen and BC Investment, as described in this announcement; 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
HKR International Limited
CHUNG Sam Tin Abraham
Executive Director

Hong Kong, 25 January 2010

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

Dr QIN Xiao

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