
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **HKR International Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) CONTINUING CONNECTED TRANSACTIONS FOR
CONSTRUCTION TRANSACTIONS AND RENOVATION TRANSACTIONS
WITH THE HANISON GROUP; AND
(2) CONNECTED TRANSACTION FOR THE DISPOSAL OF
REMAINING INTERESTS IN BC INVESTMENT LLC**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Independent Board Committee (as herein defined) containing its advice and recommendation to the Independent Shareholders (as herein defined) is set out on pages 19 to 20 of this circular. A letter from Somerley Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

A notice convening the EGM (as herein defined) to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 9 March 2010 at 9:30 a.m. is set out on pages 45 to 46 of this circular. A proxy form is also enclosed. If you are not able to attend and vote at the EGM in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Investor Centre of the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. **Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or adjournment thereof should you so wish.**

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:–

“Articles”	articles of association of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“BC Investment”	BC Investment LLC, a company incorporated in Anguilla with limited liability;
“Board” or “Directors”	board of 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;
“Broad Base Interest”	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;
“Bondholder(s)”	holder(s) of the zero coupon convertible bonds due 2010 of an aggregate nominal amount of HK\$1,410 million issued by the Company on 26 April 2005;
“Building Project”	each project relating to the construction of residential, commercial, hotel and recreational properties, buildings and related infrastructure and facilities for which the Company may from time to time seek tenders;
“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” or “HKRI”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the issued securities of which are listed on the main board of the Stock Exchange;
“Construction and Renovation Agreement”	Construction and Renovation Services Framework Agreement dated 20 January 2010 made between HKRI and Hanison;

DEFINITIONS

“Construction Transactions”	transactions between any member(s) of the HKRI Group on the one hand and any member(s) of the Hanison Group on the other to be entered into during the three financial years ending 31 March 2013 in relation to any Building Project in respect of any tender from the Hanison Group accepted by the HKRI Group;
“Continuing Connected Transactions”	Construction Transactions and the Renovation Transactions;
“EGM”	extraordinary general meeting of HKRI to be convened for the purpose of approving the Construction and Renovation Agreement, the Continuing Connected Transactions, the Sale and Purchase Agreement and the transactions contemplated thereunder, and any adjournment thereof;
“Hanison”	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued share capital of which is listed on the main board of the Stock Exchange. Hanison is directly and indirectly owned as to approximately 49% by HKRI;
“Hanison Group”	Hanison and its subsidiaries from time to time;
“Hanison Independent Shareholders”	independent shareholders of Hanison excluding, for all purposes in connection with the approval of the Construction and Renovation Agreement, HKRI, the Major Shareholders and their respective associates;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKRI Group”	Company and its subsidiaries from time to time;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board comprising Dr CHENG Kar Shun Henry, Dr CHEUNG Kin Tung Marvin and Dr QIN Xiao, independent non-executive directors of the Company, established for the purpose of advising the Independent Shareholders in relation to the Construction and Renovation Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder;

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“Independent Financial Adviser” or “Somerley”	Somerley Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction and Renovation Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	independent shareholders of the Company excluding, for all purposes in connection with: (a) the approval of the Construction and Renovation Agreement and the transactions contemplated thereunder, the Major Shareholders and their respective associates; and (b) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Cha Family and their associates;
“Latest Practicable Date”	5 February 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“LLC Agreement”	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;

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“Major Shareholders”

comprise the stakeholders of the Cha Family with interests in the Company, namely CCM Trust (Cayman) Limited (“CCM”), CDW Holdings Limited (“CDW”), Mingly Asia Capital Limited (“Mingly”), LBJ Regents Limited (“LBJ”) and Mr CHA Mou Sing Payson who are, together, directly or indirectly interested in approximately 50.83% of HKRI and approximately 24.40% of Hanison (excluding, for these purposes, their interest in Hanison held, directly and indirectly, through HKRI), where:

- (a) CCM is a company incorporated in the Cayman Islands with limited liability and which has a direct interest in HKRI of approximately 35.65% and in Hanison of approximately 17.63%. CCM (which is also indirectly interested in the shares of HKRI and Hanison held via its subsidiary, CDW, as described in (b) below, and Mingly, as described in (c) below) is the corporate trustee of certain discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming’s issue, including Mr CHA Mou Sing Payson, Mr CHA Mou Zing Victor, Mr CHA Mou Daid Johnson, Mr CHA Yiu Chung Benjamin and Ms WONG CHA May Lung Madeline, who are directors of HKRI and/or Hanison;
- (b) CDW is a company incorporated in the Cayman Islands with limited liability, owned as to 52.24% by CCM, and which has a direct interest in HKRI of approximately 5.36% and in Hanison of approximately 3.19%;
- (c) Mingly is a company incorporated in the Cayman Islands with limited liability, indirectly owned as to 85.68% by CCM, and which has a direct interest in HKRI of approximately 3.04%;
- (d) LBJ is a company incorporated in the British Virgin Islands with limited liability and which has a direct interest in HKRI of approximately 6.41% and in Hanison of approximately 3.36%. LBJ is the corporate trustee for certain discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming’s issue, including Mr CHA Mou Sing Payson, Mr CHA Mou Zing Victor, Mr CHA Mou Daid Johnson, Mr CHA Yiu Chung Benjamin and Ms WONG CHA May Lung Madeline, who are directors of HKRI and/or Hanison; and
- (e) Mr CHA Mou Sing Payson has direct and indirect interests in HKRI of approximately 0.37% and in Hanison of approximately 0.22%;

DEFINITIONS

“Renovation Project”	any project relating to renovation services or assistance in relation to the properties owned, operated or managed from time to time by the HKRI Group;
“Renovation Transactions”	transactions between member(s) of the HKRI Group on the one hand and any member(s) of the Hanison Group on the other to be entered into during the three financial years ending 31 March 2013 in relation to any Renovation Project(s);
“Sale and Purchase Agreement”	sale and purchase agreement dated 25 January 2010 between Broad Base, Cagen and BC Investment, as described in this circular;
“Services”	means construction, interior and renovation, maintenance and related services including the provision of services as main contractor and sub-contractor for a variety of works including superstructure, foundation, infrastructure facilities, maintenance construction renovation and interior decoration provided from time to time by members of the Hanison Group to members of the HKRI Group;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	United States dollars, the lawful currency of the United States of America.

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

LETTER FROM THE BOARD



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)

Directors:

Mr CHA Mou Sing Payson (*Chairman*)
Mr CHA Mou Zing Victor
(Deputy Chairman & Managing Director)
Mr CHEUNG Tseung Ming
Mr CHUNG Sam Tin Abraham^φ
Mr TANG Moon Wah
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[#]
Dr CHENG Kar Shun Henry[†]
Dr The Honourable CHEUNG Kin Tung Marvin[†]
Dr QIN Xiao[†]

Registered Office:

P.O. Box 309, Uglan House
Grand Cayman
KY1-1104, Cayman Islands

Principal Place of Business in Hong Kong:

23rd Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

^φ Also alternate to Mr CHA Mou Sing Payson

[#] Non-executive Directors

[†] Independent Non-executive Directors

9 February 2010

To Shareholders, and for information, Bondholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS FOR
CONSTRUCTION TRANSACTIONS AND RENOVATION TRANSACTIONS
WITH THE HANISON GROUP; AND
(2) CONNECTED TRANSACTION FOR THE DISPOSAL OF
REMAINING INTERESTS IN BC INVESTMENT LLC**

INTRODUCTION

This circular is important and relates to two entirely different transactions. The first, a framework agreement for continuing connected transactions relating to construction and renovation in relation

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

LETTER FROM THE BOARD

to which the HKRI Group may engage members of the Hanison Group. The second, a sale and purchase agreement relating to the sale of an interest in a non-core investments vehicle, for cash, to an associate of the Cha Family.

Construction and Renovation Agreement

Reference is made to the joint announcement of the Company and Hanison dated 20 January 2010 relating to the Construction and Renovation Agreement. HKRI and Hanison have entered into the Construction and Renovation Agreement to provide a framework governing the outline terms upon which members of the HKRI Group and members of the Hanison Group propose to engage in the Construction Transactions and the Renovation Transactions during the three financial years ending 31 March 2013. The current arrangements between the two groups are due to expire on 31 March 2010.

HKRI is a property developer whose prospective developments include residential, commercial and recreational projects, for which the HKRI Group proposes, from time to time, to request tenders. HKRI anticipates that the Hanison Group will wish to tender for some or all of these projects.

In addition, HKRI anticipates the prospect of engaging Hanison in relation to certain renovation works which members of the HKRI Group may from time to time require in relation to properties and developments owned, operated or managed by members of the HKRI Group. The HKRI Group may or may not open such renovation works to tender depending on the size of the works involved.

Sale and Purchase Agreement

Reference is also made to the announcement of the Company dated 25 January 2010 relating to the Sale and Purchase Agreement. The Company's wholly-owned subsidiary, Broad Base, entered into the 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).

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.

LETTER FROM THE BOARD

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 HKRI Group's core business projects in Discovery Bay, Hong Kong and Jingan, Shanghai and otherwise for the HKRI 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.

The purpose of this circular is to provide you with details on the Construction and Renovation Agreement, the Continuing Connected Transactions, the Sale and Purchase Agreement, the recommendation of the Independent Board Committee and the advice of Somerley Limited in respect of the Construction and Renovation Agreement, the Continuing Connected Transactions and the Sale and Purchase Agreement and to give notice of the EGM thereof.

LETTER FROM THE BOARD

(1) CONSTRUCTION AND RENOVATION SERVICES FRAMEWORK AGREEMENT

Date: 20 January 2010

Parties: (1) HKRI
(2) Hanison

Provision of Services: The Construction and Renovation Agreement represents a framework agreement pursuant to which it is envisaged by the parties that members of the Hanison Group will provide the Services to members of the HKRI Group in relation to all Building Projects which form the subject of the Construction Transactions entered into between the members of the HKRI Group and members of the Hanison Group, and all Renovation Projects which form the subject of Renovation Transactions entered into between members of the HKRI Group and members of the Hanison Group.

Relevant members of the HKRI Group and relevant members of the Hanison Group will enter into subsidiary agreements covering the Construction Transactions and the Renovation Transactions envisaged under the Construction and Renovation Agreement. Each such subsidiary agreement will set out the specific detailed terms upon which particular Services will be rendered by the Hanison Group to the HKRI Group. The terms of each such subsidiary agreement must comply with (i) the terms of the Construction and Renovation Agreement; and (ii) relevant requirements under the Listing Rules.

The Construction Transactions and the Renovation Transactions to be entered into by the HKRI Group and the Hanison Group must be on normal commercial terms or terms no less favourable to the HKRI Group than those offered by the Hanison Group to independent third parties. The calculation of payments to be made shall be determined by reference to the size, nature and anticipated duration of the projects, the location, complexity of work and sub-contracting costs as well as any other material factors agreed on a project by project basis. Payment of contract sums is effected in stages, based on the certified amount of work done with reference to the level of work completed.

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Annual Caps:

The total value of the Construction Transactions to be entered into between the HKRI Group and the Hanison Group (in terms of revenue recognition) for each of the three years ending 31 March 2013 shall not exceed the following (except as noted below):

1 April 2010 – 31 March 2011	HK\$600 million
1 April 2011 – 31 March 2012	HK\$400 million
1 April 2012 – 31 March 2013	HK\$400 million

Since the total value of the Construction Transactions entered into by the HKRI Group and the Hanison Group is recorded in terms of revenue recognition, the balance of any outstanding Construction Transactions secured from previous years but not yet completed will be carried forward and reflected in the annual cap(s) of the next following year(s). It is anticipated that a major portion of revenue from certain outstanding Construction Transactions will be carried forward and certified within the year ending 31 March 2011, hence the annual cap for the year ending 31 March 2011 being significantly higher than the annual caps of the two financial years ending 31 March 2012 and 31 March 2013 respectively and the anticipated total value for the year ending 31 March 2010.

The total value of the Renovation Transactions to be entered into between the HKRI Group and the Hanison Group (in terms of revenue recognition) for each of the three years ending 31 March 2013 shall not exceed the following (except as noted below):

1 April 2010 – 31 March 2011	HK\$50 million
1 April 2011 – 31 March 2012	HK\$50 million
1 April 2012 – 31 March 2013	HK\$50 million

In view of the substantial recovery of the local property market, HKRI anticipates that there is likely to be an increase in the number of Renovation Transactions in the coming years as compared to recent years.

LETTER FROM THE BOARD

In the event that the total value of the Construction Transactions or Renovation Transactions exceeds the relevant amounts set out above for any year, such transactions will be subject to review and re-approval by the Independent Shareholders and the Hanison Independent Shareholders either at the respective companies' next following annual general meetings or at extraordinary general meetings of HKRI and Hanison convened for the purpose.

The annual caps in respect of the Construction Transactions referred to above were, in the first instance, determined and proposed by HKRI, based upon its own confidential assumptions as to its anticipated development plans for the three years ending 31 March 2013 (being information that it would not be appropriate for HKRI to share with Hanison or any other prospective tenderer) and other factors such as (i) the anticipated average construction costs per square metre for a range of standards and styles of residential and non-residential developments of the HKRI Group; (ii) the estimated success rate of the Hanison Group tendering for the Construction Transactions, based upon the historical tendering success rate of the Hanison Group over the past three years; (iii) the estimated value of the Construction Transactions to be settled for existing contracts awarded to the Hanison Group up to the year ending 31 March 2010; and (iv) a 10% contingency for possible projects not yet identified for working out the annual caps for the moment.

The annual caps in respect of the Renovation Transactions are based upon an average cost of the renovation works performed by the Hanison Group for the HKRI Group over the two and a half years ended 30 September 2009 and the estimated Renovation Transactions for the three years ending 31 March 2013.

Term:

The Construction and Renovation Agreement will take effect as from 1 April 2010 and will continue thereafter for a term expiring on 31 March 2013. Upon the expiry of the Construction and Renovation Agreement, the parties may renew the Construction and Renovation Agreement subject to compliance with the Listing Rules and all applicable laws.

LETTER FROM THE BOARD

PARTICULARS OF PAST CONTINUING CONNECTED TRANSACTIONS

Shareholders are reminded that the annual caps approved by Independent Shareholders in March 2007 and the actual values on the aggregate turnover paid and/or payable by the HKRI Group to the Hanison Group in respect of the Construction Transactions and the Renovation Transactions over the three financial years ending 31 March 2010 were:

Construction Transactions

Financial Year	Annual Cap	Total Transaction Value
1 April 2007 – 31 March 2008	HK\$450 million	HK\$136.6 million
1 April 2008 – 31 March 2009	HK\$450 million	HK\$230.7 million
1 April 2009 – 31 March 2010	HK\$450 million	HK\$103.7million ^{note}

Renovation Transactions

Financial Year	Annual Cap	Total Transaction Value
1 April 2007 – 31 March 2008	HK\$20 million	HK\$0.5 million
1 April 2008 – 31 March 2009	HK\$20 million	HK\$0.6 million
1 April 2009 – 31 March 2010	HK\$20 million	Nil ^{note}

Note: Being the total transaction value of the Construction Transactions and the Renovation Transactions made up to 31 December 2009.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION AND RENOVATION AGREEMENT

The commissioning of the Services and the provisioning of the Services represent activities within the ordinary and usual course of business of the HKRI Group and the Hanison Group respectively. Moreover, the Construction and Renovation Agreement provides the basic framework for future transactions of a revenue nature for each of the HKRI Group and the Hanison Group and which each regards as being essential to the continued operation and growth of their respective businesses.

IMPLICATIONS UNDER THE LISTING RULES

As Hanison is an associate of the Major Shareholders of HKRI who, between them, are directly or indirectly interested in more than 30% of Hanison (including, for these purposes, their interests in Hanison held, indirectly, through HKRI), Hanison is a connected person of HKRI. Accordingly, the Construction and Renovation Agreement represents a continuing connected transaction for HKRI and is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

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GENERAL

Shareholders should note that, apart from the existing construction contracts relating to development projects at Discovery Bay, the Construction Transactions and the Renovation Transactions have yet to be entered into, and may ultimately not materialise. In particular, the Construction Transactions may not arise, for example, because HKRI awards the relevant tenders to other contractors or because the Independent Shareholders and/or the Hanison Independent Shareholders do not give their consent to HKRI and/or Hanison respectively for entering into the Construction and Renovation Agreement and the transactions contemplated thereunder. Accordingly, Shareholders are advised to exercise caution when dealing in the shares of HKRI.

(2) 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.

LETTER FROM THE BOARD

- 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).

The consideration referred to above is a cash consideration and is payable on completion (there being no deferred payment arrangements).

- 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.

LETTER FROM THE BOARD

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, which comprise the book value of the hedge funds (approximately HK\$135.1 million) and the book value of the private company investment (nil, having been written off in the last audited annual accounts of the Company). 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.

LETTER FROM THE BOARD

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 HKRI Group's working capital purpose.

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 the Listing Rules.

OPINIONS OF THE DIRECTORS

Members of the Board are of the opinion that the Construction and Renovation Agreement represents business that is in the ordinary and usual course for HKRI. They are also of the opinion that both the Construction and Renovation Agreement and the Sale and Purchase Agreement reflect normal commercial terms that are arm's length and are fair and reasonable so far as its shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Specifically, as regards the Sale and Purchase Agreement, 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.

VOTING AT EGM

Pursuant to rule 13.39(4) of the Listing Rules and article 80 of the Articles, the votes of the Independent Shareholders at the EGM will be taken by poll and the Company shall announce the results of the poll in the manner prescribed under rule 13.39(5) of the Listing Rules.

Pursuant to article 85 of the Articles, on a poll, every member present in person or by proxy or (being a corporation) is present by a duly authorised representative or a proxy shall have one vote for every fully-paid share of which he is the holder. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

LETTER FROM THE BOARD

The Major Shareholders and their respective associates will abstain from voting at the EGM on the resolution to approve the Construction and Renovation Agreement and the resolution to approve the Sale and Purchase Agreement. As at the Latest Practicable Date, the Major Shareholders control or are entitled to control 50.83% of the voting rights in the Company, and there are no associates of the Major Shareholders who control or are entitled to control any voting rights in the Company.

An announcement on the results of the EGM in respect of the Construction and Renovation Agreement and the Sale and Purchase Agreement will be made by HKRI as soon as practicable after the conclusion of the EGM, in compliance with the requirements under the Listing Rules.

EGM

The notice convening the EGM is set out on pages 45 to 46 of this circular. Enclosed with this circular is the form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Investor Centre of the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

INFORMATION ON THE COMPANY AND OTHERS

The Company is an investment holding company incorporated in the Cayman Islands. The HKRI Group is principally engaged in property development and management, the provision of essential and recreational services for residential housing and leisure projects in Discovery Bay, Lantau Island, hotel operation, healthcare services, manufacturing and other investments.

Hanison is an investment holding company incorporated in the Cayman Islands. The Hanison Group is principally engaged in building construction, interior and renovation works, supply and installation of building materials, trading of health products and property investments, property development and property agency and management.

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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out in this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Construction and Renovation Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from Somerley Limited set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as regards the Construction and Renovation Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving thereat.

The Independent Board Committee has considered the terms of the Construction and Renovation Agreement, the Sale and Purchase Agreement and the advice given by Somerley Limited and recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Construction and Renovation Agreement and the Sale and Purchase Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
By order of the Board
CHA Mou Zing Victor
Deputy Chairman & Managing Director



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)

9 February 2010

To: The Independent Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS FOR
CONSTRUCTION TRANSACTIONS AND RENOVATION TRANSACTIONS
WITH THE HANISON GROUP; AND
(2) CONNECTED TRANSACTION FOR THE DISPOSAL OF
REMAINING INTERESTS IN BC INVESTMENT LLC**

INTRODUCTION

Reference is made to the circular dated 9 February 2010 issued by the Company to the Shareholders, of which this letter forms part. The terms defined in the circular shall have the same meanings when used in this letter, unless the context requires otherwise.

The Independent Board Committee has been constituted by the Board to advise the Independent Shareholders in relation to the Construction and Renovation Agreement, the Sale and Purchase Agreement and the respective transactions contemplated thereunder and to make recommendations as to voting at the EGM. Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Construction and Renovation Agreement and the Sale and Purchase Agreement so far as the Independent Shareholders are concerned.

The terms of the Construction and Renovation Agreement, the Sale and Purchase Agreement and the respective transactions contemplated thereunder are summarised in the section headed "Letter from the Board" set out on pages 6 to 18 of the circular. In addition, you are strongly urged to read Somerley Limited's letter to the Independent Board Committee, which is set out on pages 21 to 36 of the circular. As referred to in the section headed "Letter from the Board", the Major Shareholders and their respective associates, as interested parties, will abstain from voting on the ordinary resolutions to be proposed at the EGM for approving the terms of the Construction and Renovation Agreement, the Sale and Purchase Agreement and the respective transactions contemplated thereunder. Pursuant to rule 13.39(4) of the Listing Rules and article 80 of the Articles, the votes of the Independent Shareholders at the EGM will be taken by poll.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

The Independent Board Committee has met with the management of the Company to discuss the Construction and Renovation Agreement, the Sale and Purchase Agreement and its reasons for entering into them and has considered Somerley Limited's letter.

Taking into account the principal factors and reasons considered and the recommendation given by Somerley Limited, the Independent Board Committee considers that the Construction and Renovation Agreement in respect of the Construction Transactions and the Renovation Transactions and the Sale and Purchase Agreement to sell the Broad Base Interest, are both on normal commercial terms. The Independent Board Committee considers that the transactions contemplated under each agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Moreover, the Independent Board Committee considers the respective annual caps for the Construction Transactions and the Renovation Transactions to be fair and reasonable.

Accordingly, the Independent Board Committee recommends that you vote in favour of each of the ordinary resolutions as set out in the notice convening the EGM on pages 45 to 46 of the circular, respectively for approving and ratifying the terms of the Construction and Renovation Agreement and the Sale and Purchase Agreement and the transactions contemplated under each agreement (including the respective annual caps for the Construction Transactions and the Renovation Transactions) and authorising the directors of the Company to implement and effect each agreement and matters incidental or ancillary thereto.

Yours faithfully,

For and on behalf of the Independent Board Committee of

HKR International Limited

CHENG Kar Shun Henry CHEUNG Kin Tung Marvin QIN Xiao

Independent Non-executive Directors

LETTER FROM SOMERLEY

The following is the text of the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

9 February 2010

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTIONS FOR
CONSTRUCTION TRANSACTIONS AND RENOVATION TRANSACTIONS
WITH THE HANISON GROUP; AND
(2) CONNECTED TRANSACTION FOR THE DISPOSAL OF
REMAINING INTERESTS IN BC INVESTMENT LLC**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the provision of construction, interior and renovation, maintenance and related services by the Hanison Group to the HKRI Group for the three financial years ending 31 March 2013; and (ii) the disposal (the “Disposal”) of Broad Base’s entire interests in BC Investment comprising a nominal equity interest in 50% of the membership interest equity capital of BC Investment and asset account in BC Investment to Cagen. Details of the Continuing Connected Transactions (including the annual caps) and the Sale and Purchase Agreement are contained in the circular to the Shareholders dated 9 February 2010 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

The Company together with its wholly-owned subsidiary holds approximately 49% of the entire issued share capital of Hanison, and is therefore, a substantial shareholder and a connected person of Hanison. The Major Shareholders of the Company together, are directly or indirectly interested in approximately 50.83% of the Company and approximately 24.40% of the entire issued share capital of Hanison (excluding, for these purposes, their interest in Hanison held, directly and indirectly, through the Company) as at the Latest Practicable Date. Accordingly, the transactions contemplated under the Construction and Renovation Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the Company anticipates that the applicable percentage ratios for the Continuing Connected Transactions are, on an annual basis, more than 2.5% and the total consideration of the Construction and Renovation Agreement is more than HK\$10,000,000, the Continuing Connected

LETTER FROM SOMERLEY

Transactions (including the annual caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rules 14A.45 to 14A.48 and 14A.52 to 14A.54 of the Listing Rules. The Major Shareholders and their respective associates will abstain from voting in relation to the resolution to be put forward at the EGM for the purpose of approving the Construction and Renovation Agreement (including the annual caps) and the transactions contemplated thereunder. As at the Latest Practicable Date, the Major Shareholders control or are entitled to control 50.83% of the voting rights in the Company, and there are no associates of the Major Shareholders who control or are entitled to control any voting rights in the Company.

Broad Base is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. Cagen is an investment management 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, the Directors and members of the Cha Family which, in turn, collectively hold a total equity interest of 50.83% in the Company. Accordingly, Cagen is a connected person of the Company as defined under the Listing Rules; and the transactions contemplated under the Sale and Purchase Agreement constitute a connected transaction for the Company and are subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr CHENG Kar Shun Henry, Dr The Honourable CHEUNG Kin Tung Marvin and Dr QIN Xiao, has been established to advise the Independent Shareholders whether the terms of the Continuing Connected Transactions (including the annual caps) and the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions are true, accurate and complete and will remain so up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not however, conducted any independent investigation into the business and affairs of the HKRI Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

I. The Continuing Connected Transactions

1. Background to and reasons for the Continuing Connected Transactions

The HKRI Group, from time to time, requests tenders for its residential, commercial and recreational development projects. The principal business activities of the Hanison Group are building construction, interior and renovation work, supply

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and installation of building materials, trading of health products and property investment and development. The Hanison Group has been one of the principal contractors in respect of the residential buildings and other related facilities and infrastructure in Discovery Bay and has developed expertise over the years. The Hanison Group has also from time to time provided renovation services to the HKRI Group.

The construction and renovation services framework agreement dated 30 January 2007 (including the annual caps for the three years ending 31 March 2010) was approved by the then independent shareholders of the Company and Hanison at their respective shareholders' meetings held on 21 March 2007 and is due to expire on 31 March 2010. Both the Company and Hanison anticipate that the Hanison Group will wish to tender and participate in some or all of the Building Projects and Renovation Projects of the HKRI Group and the parties therefore entered into the Construction and Renovation Agreement to govern the outline terms of the Continuing Connected Transactions in the coming three years ending 31 March 2013.

2. Principal terms of the Construction and Renovation Agreement

Pursuant to the Construction and Renovation Agreement, the HKRI Group agrees that members of the Hanison Group shall be entitled to submit tenders for all or any of the Building Projects and any tender so submitted will be given due and fair consideration in the context of all other tenders received by the HKRI Group. The HKRI Group may from time to time engage the Hanison Group to provide or procure the provision of renovation services or assistance in relation to the properties owned, operated or managed from time to time by the members of the HKRI Group. On the basis of the Construction and Renovation Agreement alone, Hanison shall not be compelled to submit tenders for any Building Project or Renovation Project, nor will the Company be compelled to select Hanison in respect of any Building Project or Renovation Project.

Services to be provided by the Hanison Group to members of the HKRI Group could be construction, interior and renovation, maintenance and related services including the provision of services as main contractor and sub-contractor for a variety of works including superstructure, foundation, infrastructure facilities, maintenance construction renovation and interior decoration. Relevant members of the HKRI Group and the Hanison Group will enter into subsidiary agreements covering the Continuing Connected Transactions envisaged under the Construction and Renovation Agreement. The terms of each subsidiary agreement must comply with the terms of the Construction and Renovation Agreement and the Listing Rules.

The Continuing Connected Transactions must be on normal commercial terms or terms no less favourable to the HKRI Group than those offered by the Hanison Group to independent third parties. The calculation of payments to be made shall be determined by reference to size, nature and anticipated duration of the projects, the location, complexity of work and sub-contracting costs as well as any other material factors agreed on a project by project basis. Payment of contract sums is effected in stages based on the certified amount of work done with reference to the level of work completed.

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3. Annual caps for the Continuing Connected Transactions

The Continuing Connected Transactions are subject to Listing Rules requirements and conditions as more particularly discussed under the section headed “Reporting requirements and conditions of the Continuing Connected Transactions” below. In particular, the Continuing Connected Transactions are subject to the annual caps.

(a) The Construction Transactions

Review of historical figures

The table below sets out the transaction amount of the construction services provided by the Hanison Group to the HKRI Group for each of the two years ended 31 March 2008 and 2009 and the nine months ended 31 December 2009:

	Year ended 31 March		Nine months ended
	2008	2009	31 December 2009
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Construction services provided by the Hanison Group to the HKRI Group	136.6	230.7	103.7

The Directors have confirmed that the Building Projects awarded to the Hanison Group in the two years and nine months ended 31 December 2009 (the “Review Period”) all resulted from tendering processes. All tenders received for the Building Projects will be reviewed by independent professional consultants who will then prepare tender analysis reports to the Company after comparing scope of works and budgeted cost proposed by each tenderer. The independent professional consultants will then recommend the most competitive tender to the Company.

We have reviewed various tender analysis reports prepared by independent professional consultants for construction projects granted during the Review Period. We noted that the tenders submitted by and awarded to the Hanison Group were the most competitive among all other tenders and are in line with the recommendation from the independent professional consultants made in the tender analysis reports.

LETTER FROM SOMERLEY

The Board considers it difficult to have a definitive plan (such as the construction scale, the contract sum, tenders and schedule for each financial year) for the construction works of its building projects as the HKRI Group's business plan may vary when the property market changes.

Assessment of the annual caps for the Construction Transactions

Set out below are the annual caps for the Construction Transactions for each of the three years ending 31 March 2013:

	Year ending 31 March		
	2011	2012	2013
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Provision of construction services by the Hanison Group to the HKRI Group	600	400	400

In assessing the reasonableness of the annual caps, we have discussed with the Directors the basis and assumptions underlying the projection of the annual caps. In calculating the annual caps for the Construction Transactions, the Directors based their view upon their own confidential assumptions as to anticipated development plans for the three years ending 31 March 2013 (being information that it would not be appropriate for the Company to share with Hanison or any other prospective tenderers) and other factors such as (i) the anticipated average construction costs per square metre for a range of standards and styles of residential and non-residential developments of the HKRI Group; (ii) the estimated success rate of the Hanison Group tendering for the Construction Transactions, based upon the historical tendering success rate of the Hanison Group over the past three years; (iii) the estimation that recognition of a major portion of the value of the Construction Transactions for existing contracts awarded to the Hanison Group would occur during the year ending 31 March 2011; and (iv) a 10% contingency for possible projects not yet identified for working out the annual caps for the moment.

We have reviewed the tendering schedule prepared by the projects department of the Company for the three years ending 31 March 2013 which sets out the expected gross floor area and the estimated average construction unit cost for each property project. These projects require construction services including foundation, superstructure and interior decoration works for the HKRI Group's residential and non-residential projects in the coming three years ending 31 March 2013. We noted that the total estimated contract value is the product of the estimated construction unit cost and the expected gross floor area of each Building Project. We have also discussed with the Directors and noted that

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construction works which have been awarded to the Hanison Group but yet to be certified and accrued of around HK\$200 million are expected to occur in the year ending 31 March 2011.

Apart from the approximately HK\$200 million carried forward to the year ending 31 March 2011, the annual caps are arrived at by spreading the estimated contract values of the Building Projects evenly throughout the three years ending 31 March 2013. A 10% buffer for potential projects has been built in for the annual caps to allow reasonable flexibility. The contract value certified and revenue recognised for the Building Projects in each year may fluctuate in view of various uncertainties facing by the HKRI Group including the construction scale and schedule, which are subject to the then prevailing market conditions. It is difficult for the HKRI Group to have a definitive plan for its construction projects.

(b) The Renovation Transactions

Review of historical figures

The table below sets out the transaction amount of the Renovation Transactions for each of the two years ended 31 March 2008 and 2009 and the nine months ended 31 December 2009:

	Year ended 31 March		Nine months ended
	2008	2009	31 December 2009
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Provision of renovation services by the Hanison Group to the HKRI Group	0.5	0.6	–

We are advised by the Directors that, major renovation projects were put on hold and only essential and basic maintenance was conducted following the outbreak of the worldwide financial tsunami in September 2008.

The Directors confirm that most of the renovation work performed by the Hanison Group for the HKRI Group during the Review Period resulted from quotation processes. We have reviewed quotation reports prepared by the projects department and noted that the quotations submitted by and awarded to the Hanison Group were the most competitive among all other quotes.

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We understand from the Directors that some renovation work may not warrant a tendering process given the size of such renovation services. In the event that the tendering cost is expected to exceed the value of the renovation services or in the event that such renovation work is required to be completed within a relatively short time frame that makes a tendering process onerous, the HKRI Group will grant such renovation contract to the Hanison Group subject to the terms set out in the framework agreement and other terms to be agreed between the HKRI Group and the Hanison Group at the time of grant.

Assessment of the annual caps for the Renovation Transactions

Set out below are the annual caps for the Renovation Transactions for each of the three years ending 31 March 2013:

	Year ending 31 March		
	2011	2012	2013
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Provision of renovation services by the Hanison Group to the HKRI Group	50	50	50

In assessing the reasonableness of the annual caps for the Renovation Transactions, we have discussed with the Directors the basis and assumptions underlying the projection of the annual caps. The annual caps in respect of Renovation Transactions are based upon an estimated cost of the renovation and the estimated Renovation Transactions for the three years ending 31 March 2013. The annual caps are arrived at based on the estimated gross floor area of the investment properties which require renovation or touch-up in the coming three years multiplied by the expected average cost of renovation with reference to the average cost of renovation charged by the Hanison Group over the Review Period. The Directors consider that, certain investment properties including shopping malls and office buildings which were completed in the 1990s, would require certain refurbishments in the coming years. Given certain renovation projects are put on hold amid the economic downturn, it is expected that the value of the Renovation Transactions will increase in the coming three years when the economy recovers. The annual caps for Renovation Transactions have also catered for possible adjustment on the increase in renovation cost in the coming three years as a result of any increase in construction material cost and labour wages. The number of Renovation Projects may vary from year to year and so does the value of the Renovation Transactions.

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We are of the view that the basis and assumptions adopted by the HKRI Group in determining the total value of the Continuing Connected Transactions for the three years ending 31 March 2013 are fair and reasonable. It is impossible for the HKRI Group to precisely determine the actual value of the Continuing Connected Transactions for each year. In the event that the total value of the Continuing Connected Transactions are expected to exceed the annual caps in any of the three years ending 31 March 2013, the Continuing Connected Transactions will be subject to review and re-approval by the Independent Shareholders and the Hanison Independent Shareholders as soon as possible, either at the respective companies' next following annual general meetings or at the extraordinary general meetings of the Company and Hanison convened for this specific purpose, whichever comes first.

4. *Reporting requirements and conditions of the Continuing Connected Transactions*

Pursuant to Rules 14A.37 to 14A.40, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the HKRI Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the HKRI Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the HKRI Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the transactions; and

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- (iv) have not exceeded the annual caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraphs (b);
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and assist to safeguard the interests of the Independent Shareholders.

II. The Disposal

1. *Information on the HKRI Group*

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

According to the 2009 annual report, the HKRI Group recorded loss attributable to Shareholders of HK\$224.1 million for the year ended 31 March 2009 amid the international financial crisis. The loss was principally attributable to the revaluation deficits including decrease in fair value of investment properties of HK\$462.7 million and financial assets and investment of HK\$406.4 million. Property development remained the HKRI Group's core and most profitable business which generated a profit of HK\$390.8 million. For the six months ended 30 September 2009, profit attributable to the Shareholders rose to HK\$657.9 million as compared to HK\$277.9 million of the corresponding period in 2008, mainly resulting from the increase in fair value in investment properties of HK\$720.8 million and financial assets of HK\$44.3 million. The segments of property development and property investment generated profit of HK\$63.4 million and HK\$364.1 million respectively. As discussed in the 2009 interim results, the HKRI Group saw the recent signs of recovery of the Hong Kong market but it is uncertain if the recovery can sustain.

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2. *Background to and reasons for the Sale and Purchase Agreement*

Broad Base (a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability) placed a sum of US\$100 million (approximately HK\$780 million) in 1994 under the management of Cagen. On 7 February 2007, Broad Base and Cagen entered into the LLC Agreement, pursuant to which, BC Investment was formed to take up the investment portfolio of Broad Base. Except for its role as a successor to the investment between Cagen and Broad Base which originated in 1994 and to hold funds and venture capital investments as contemplated under the LLC Agreement, BC Investment has no other business. Each of Broad Base and Cagen hold 50% of the membership interest equity capital of BC Investment and may make additional asset contributions in cash or property at any time with the prior consent of Cagen. Cagen was appointed as manager of the fund contributed to BC Investment by Broad Base for an initial term of three years expiring on 31 March 2010 and Cagen is entitled to receive regular carried interest and incentive carried interest for its management services subject to the terms and conditions of the LLC Agreement. Details of the LLC Agreement were set out in the circular of the Company dated 2 March 2007.

The Board intends to monetise the HKRI Group's interests in the underlying investments to provide working capital for the HKRI Group's core business projects in Discovery Bay, Hong Kong and Jingan, Shanghai and otherwise for the HKRI Group's working capital purpose. In June 2008, Broad Base served a notice for full redemption and liquidation of all its remaining assets held by BC Investment and informed Cagen it wished to terminate the LLC Agreement early. Since then, Cagen has adopted an active approach to redeem and liquidate the underlying investments on behalf of Broad Base in BC Investment in an orderly manner.

To provide Broad Base with near term liquidity and at Broad Base's request, Cagen sold the substantial majority of the underlying investments held by 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. Broad Base has received distributions from Cagen in excess of approximately US\$253 million (approximately HK\$1,973 million) between 1994 and 30 November 2009 with approximately US\$18.5 million (approximately HK\$144.3 million) of remaining value as of 30 November 2009.

The HKRI Group sold its beneficial interest in a hedge fund which was one of the then assets comprised within the Broad Base fund, at its net asset value of HK\$23.4 million to Cagen in December 2008. The beneficial interest in that hedge fund was subject to a "lock-up" period up to December 2009. Such disposal to Cagen enabled the HKRI Group to monetise its investment approximately twelve months early.

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As at 30 November 2009, Broad Base's remaining underlying investments held by BC Investment consist of a portfolio of ten independently managed hedge funds and one independent private company investment. The Directors consider that this is a good opportunity for the HKRI Group to complete the monetisation of Broad Base's investment on a time frame which would not otherwise be achievable given the illiquid nature of the remaining underlying fund interests.

It is the intention of the HKRI Group to apply proceeds from the Disposal to its core business projects in Discovery Bay, Hong Kong and Jingan, Shanghai and otherwise for the HKRI Group's working capital purpose. The Discovery Bay project involves the development of a phase of residential project and is scheduled to complete by the end of 2010. The construction work comprises three blocks of 164 mid-rise premises with gross floor area of over 168,000 square feet. The HKRI Group targets to sell units of this phase in the third quarter of 2010. The Dazhongli project in Jingan, Shanghai is scheduled to be completed by phases in 2013 and 2014. The site is surrounded by excellent transportation infrastructure and comprehensive facilities, comprising large-scale offices, hotels and retail facilities with a total floor area of approximately 330,000 square meters and it is expected to become a flagship development of the HKRI Group in the PRC. The HKRI Group holds 50% interest in each of the projects.

3. *Principal terms of the Sale and Purchase Agreement*

(a) Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, Broad Base shall sell to Cagen the Broad Base Interest including (i) a nominal equity interest in 50% of the membership interest equity capital of BC Investment (the other 50% being owned by Cagen) and (ii) 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.

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, which comprises the book value of the hedge funds (approximately HK\$135.1 million) and the book value of the private company investment (nil, having been written off in the last audited

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annual accounts of the Company). 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.

(b) Basis of consideration

The consideration payable by Cagen in cash, on completion, 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 in the financial year ended 31 March 2009); 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.

(c) Conditions of the Sale and Purchase Agreement

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

- (i) the transaction being approved by the Independent Shareholders in a general meeting; and
- (ii) the parties receiving the information on the net asset values of the ten 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.

LETTER FROM SOMERLEY

Based on the capital statements as at 30 November 2009, the ten hedge funds have an aggregated net asset value of approximately US\$17.3 million. It should be noted that the aforementioned figures have not been independently verified by the Company. Cagen represents and warrants to Broad Base that the capital statements applicable to each of the hedge fund interests as at 30 November 2009, as supplied to Broad Base prior to the date of the Sale and Purchase Agreement, are in the form provided by the relevant fund manager or administrator, and have been supplied without modification or redaction on the part of Cagen, and there is no additional information relating to or accompanying such 30 November 2009 capital statements that has been supplied by such fund manager or administrator to Cagen or any of its affiliates and that has been withheld from Broad Base and which Cagen, acting reasonably, believes would indicate that such funds have been materially undervalued as at 30 November 2009. Cagen undertakes to provide Broad Base with (i) copies of the audited accounts as at 31 December 2009 applicable to each of the hedge fund interests with calendar financial years, together with the reports or other documents annexed or attached thereto; and (ii) capital statements as at 31 December 2009 for all of the hedge fund interests, in each case as soon as practicable after the same have been received by Cagen from the relevant fund manager or administrator.

4. *Valuation of interest in BC Investment*

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. 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.

Consideration attributable to the private company investment was determined as agreed between parties by reference to the HKRI Group's original cost of investment of US\$1.2 million. This represents the HKRI Group's investment as a minority interest in a growth stage internet-based financial services company which is yet to generate any profits. Due to its illiquid nature, this private company investment was fully impaired in the books of the HKRI Group for the year ended 31 March 2009.

LETTER FROM SOMERLEY

Fair value measurements

We have reviewed the valuation policy and procedures of the largest hedge fund in terms of the interests of Broad Base, which represented about 45% of the total net assets value of the portfolio comprising the ten hedge funds, according to the capital statements as at 30 November 2009. We understand the valuation method adopted by the fund managers are consistent with the Generally Accepted Accounting Principles (“US GAAP”) in the United States given most of the investors and the fund managers are US entities or US oriented. We are advised by Cagen that other funds in the portfolio apply similar valuation methodology. US GAAP are accounting rules used to prepare, present and report financial statements for a wide variety of entities (including hedge funds). The U.S. Securities and Exchange Commission (“SEC”) requires that US GAAP be followed in financial reports by publicly-traded companies in the United States.

There is a hierarchy of valuation methodology adopted in determining the fair value of the funds’ investments. The principle is to maximise the use of observable inputs and minimise the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the fund. Unobservable inputs reflect the investment manager’s own assumptions in determining the value of investments in pricing the asset or liability developed based on the best information available in the circumstance. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Investments are classified in one of the follow categories:

- | | |
|---------|---|
| Level 1 | Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date. |
| Level 2 | Valuations based on quoted prices in markets that are not active or based on quoted prices for similar assets or liabilities or for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Valuations based on inputs that are unobservable inclusive of the fund’s management own assumptions in determining the value of investments. |

LETTER FROM SOMERLEY

The degree of judgement exercised by the fund's management in determining fair value is greatest for securities categorised in Level 3. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement by the fund's management. Those estimated values do not necessarily represent the amounts that may be ultimately realised due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

The administrators who are independent to the hedge fund managers and the investors, will review the hedge fund valuation prepared by the fund management. The administrator would then issue the capital statements to the investors of the fund after approving the valuation. Both the hedge fund managers and the administrators hold the relevant professional qualifications and where necessary have registered with the SEC. The basis of valuation of the hedges funds adopted in the latest audited financial statements have been consistently applied through-out the financial year unless a methodology higher in the hierarchy becomes available or when some change of circumstance with the investment or the market dictates a change in methodology consistent with the fund's valuation principles.

5. *Financial effects*

(a) Earnings and cashflow

Upon completion, the HKRI Group will not hold any interest in BC Investment or in its underlying investments and will no longer share any of the future cash flow from BC Investment's distribution. There will be an immediate cash inflow upon receipt of the sale proceed, which is non-recurring in nature. Based on the net asset values of the funds as at 30 November 2009, the sale of the Broad Base Interest would generate aggregate cash proceeds of approximately US\$18.5 million (HK\$144.3 million).

(b) Gain on Disposal and effect on net assets

As the ten hedge funds are disposed of at their fair value which is how they are accounted for in the books of the Company, no gain or loss on their disposal will arise. The net gain to the Company on disposal of the Broad Base Interest, assuming no material change from the financial position as at 30 November 2009, is expected to be approximately HK\$9.2 million, being the Company's original investment cost in the private company which has been fully impaired in the Company's books during year ended 31 March 2009. Such gain on Disposal would reflect a similar increase in the net assets of the Company. Apart from that, there will be no other material effect on the net asset position of the HKRI Group.

LETTER FROM SOMERLEY

DISCUSSION AND ANALYSIS

The Construction and Renovation Agreement gives the HKRI Group a right but not an obligation to hire the Hanison Group to provide services in the Building Projects and Renovation Projects on normal commercial terms or terms no less favourable to the HKRI Group than those offered by the Hanison Group to independent third parties.

It has been the HKRI Group's intention to redeem and liquidate the Broad Base's Interests and the LLC Agreement which governs the operation of the BC Investment is going to expire on 31 March 2010. The Disposal is in line with the HKRI Group's announced policy and enables the HKRI Group to realise its investment at the audited net asset value of the hedge fund interests attributable to Broad Base and in a quicker time frame than waiting for redemption in view of the rather illiquid nature of the investments.

The global financial market has been volatile since the outbreak of the financial tsunami in September 2008, though there are signs of recovery but its sustainability is uncertain. The HKRI Group is confident with the long-term prospects of the property market in Hong Kong and considers it prudent to monetise the Broad Base Interest to assist financing the development plan of its core and profitable business of property development and investment.

Having considered the net losses attributable to the Broad Base Interest in the last two financial years and the fact that the HKRI Group has recouped its investment made in 1994 and made a substantial surplus, the Disposal represents a good opportunity for the HKRI Group to exit while bringing a cash inflow of HK\$144.3 million and generating a disposal gain of approximately HK\$9.2 million.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Construction and Renovation Agreement and the Sale and Purchase Agreement are on normal commercial terms and in the ordinary and usual course of business of the HKRI Group. We further consider that the terms of the Construction and Renovation Agreement (including the annual caps) and the Sale and Purchase Agreement, are fair and reasonable to the Independent Shareholders and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Construction and Renovation Agreement (including the annual caps) and the Sale and Purchase Agreement, and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Maggie Chan
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTEREST

(a) Directors' Interests

As at the Latest Practicable Date, the interests and short positions, if any, of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) The Company

Long positions in shares of HK\$0.25 each

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate Percentage of Issued Share Capital
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
CHA Mou Sing Payson	Beneficial owner, interests of a controlled corporation and beneficiary of discretionary trusts	2,352,860	–	2,624,600 <i>(Note a)</i>	666,333,673 <i>(Note b)</i>	671,311,133	49.72
CHA Mou Zing Victor	Beneficiary of discretionary trusts	–	–	–	666,333,673 <i>(Note b)</i>	666,333,673	49.35
CHA Mou Daid Johnson	Beneficiary of discretionary trusts	–	–	–	674,118,665 <i>(Note b)</i>	674,118,665	49.92
WONG CHA May Lung Madeline	Settlor and/or beneficiary of discretionary trusts	–	–	–	673,521,815 <i>(Notes b & c)</i>	673,521,815	49.88
Ronald Joseph ARCULLI	Beneficiary of a trust	241,472	–	–	–	241,472	0.02
CHUNG Sam Tin Abraham	Beneficial owner	315,084	–	–	–	315,084	0.02
HO Pak Ching Loretta	Beneficial owner	85,600	–	–	–	85,600	0.01
TANG Moon Wah	Beneficial owner	135,200	–	–	–	135,200	0.01

Notes:

- (a) The shares were held by Accomplished Investments Limited, a corporation 100% owned by Mr CHA Mou Sing Payson.
- (b) The shares belonged to certain but not identical discretionary trusts and were held directly and/or indirectly by corporate trustees namely, CCM Trust (Cayman) Limited and LBJ Regents Limited, of which the relevant directors were among the members of the classes of discretionary beneficiaries. Please refer to the paragraph headed “Substantial Shareholders’ Interests” below for further details of the numbers of shares held by the aforesaid corporate trustees.
- (c) The director is, under a discretionary trust of which CCM Trust (Cayman) Limited is the trustee, a settlor and member of a class of discretionary beneficiaries comprising the late Dr CHA Chi Ming’s issue. Such trust is interested in 41,052,631 shares.

(ii) Associated corporation – Hanison

Long positions in shares of HK\$0.10 each

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate Percentage of Issued Share Capital
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
CHA Mou Sing Payson	Beneficial owner, interests of a controlled corporation and beneficiary of discretionary trusts	459,541	–	512,616 <i>(Note a)</i>	104,263,263 <i>(Note b)</i>	105,235,420	23.74
CHA Mou Zing Victor	Beneficiary of discretionary trusts	–	–	–	104,263,263 <i>(Note b)</i>	104,263,263	23.52
CHA Mou Daid Johnson	Beneficiary of discretionary trusts	–	–	–	105,783,769 <i>(Note b)</i>	105,783,769	23.87
WONG CHA May Lung Madeline	Beneficiary of discretionary trusts	–	–	–	105,667,195 <i>(Note b)</i>	105,667,195	23.84
Ronald Joseph ARCULLI	Beneficiary of a trust	47,162	–	–	–	47,162	0.01
CHUNG Sam Tin Abraham	Beneficial owner	52,745	–	–	–	52,745	0.01
HO Pak Ching Loretta	Beneficial owner	10,628	–	–	–	10,628	0.002

Notes:

- (a) The shares were held by Accomplished Investments Limited, a corporation 100% owned by Mr CHA Mou Sing Payson.
- (b) The shares belonged to certain but not identical discretionary trusts and were held directly and/or indirectly by corporate trustees namely, CCM Trust (Cayman) Limited and LBJ Regents Limited, of which the relevant directors were among the members of the classes of discretionary beneficiaries.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or chief executive of the Company and their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein: or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' Interests

So far as is known to each director or the chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a director or the chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the HKRI Group:

(i) The Company

Long positions in shares of HK\$0.25 each

Name of shareholder	Capacity	Number of Ordinary Shares	Approximate Percentage of Issued Share Capital
CCM Trust (Cayman) Limited	Trustee and interests of a controlled corporation	594,733,375 <i>(Note a)</i>	44.05
CDW Holdings Limited	Beneficial owner	72,405,057 <i>(Note b)</i>	5.36
LBJ Regents Limited	Trustee	86,573,432 <i>(Note c)</i>	6.41
Invesco Hong Kong Limited	Investment manager/ advisor of various accounts	81,480,578 <i>(Note d)</i>	6.03

Notes:

- (a) The 594,733,375 shares in which CCM Trust (Cayman) Limited was interested or deemed to be interested (including the 72,405,057 shares held indirectly through its 52.24% owned subsidiary namely, CDW Holdings Limited) were shares held by it as corporate trustee of certain discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming's issue. Mr Cha Mou Sing Payson and Ms WONG CHA May Lung Madeline, directors of the Company, are also directors of CCM Trust (Cayman) Limited.
- (b) CDW Holdings Limited is 52.24% owned by CCM Trust (Cayman) Limited. By virtue of the SFO, CDW Holdings Limited is a controlled corporation of CCM Trust (Cayman) Limited and the 72,405,057 shares held by CDW Holdings Limited therefore formed part of the 594,733,375 shares in which CCM Trust (Cayman) Limited was interested or deemed to be interested. Mr Cha Mou Sing Payson and Ms WONG CHA May Lung Madeline, directors of the Company, are also directors of CDW Holdings Limited.
- (c) The 86,573,432 shares were held by LBJ Regents Limited as corporate trustee for certain discretionary trusts, of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming's issue. Mr Cha Mou Sing Payson, Mr CHA Mou Daid Johnson and Ms WONG CHA May Lung Madeline, directors of the Company, are also directors of LBJ Regents Limited.
- (d) The long position interest in 81,480,578 shares was held by Invesco Hong Kong Limited as investment manager and/or advisor of various accounts.

(ii) Other members of the HKRI Group

Name of Subsidiary	Name of Shareholder	Approximate Percentage of Issued Share Capital Held in the Subsidiary
Allmedco Group Limited <i>(Note a)</i>	LEE Wing Sum Savio	20.00
上海瑞安腫瘤診所有限公司	上海第二醫科大學附屬瑞金醫院	30.00
Health & Care Group Limited <i>(Note b)</i>	SIN Chung Yin Ronald CHU Kai Yu	24.05 12.02
Hong Kong Resort Company Limited <i>(Note c)</i>	Baylink Investments Limited	50.00
Qualigenics Medical Limited	The Chinese University of Hong Kong Foundation Limited	20.00

Notes:

- (a) Allmedco Group Limited is a 80%-owned subsidiary of Health & Care Group Limited which is an 57%-owned subsidiary of the Company.
- (b) Health & Care Group Limited is a holding company of 8 wholly-owned subsidiaries all of which Dr SIN Chung Yin Ronald and Dr CHU Kai Yu are deemed to have the respective interests therein as in Health & Care Group Limited.
- (c) Hong Kong Resort Company Limited is a holding company of 21 wholly-owned subsidiaries all of which Baylink Investments Limited is deemed to have a 50% indirect interest therein.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or the chief executive of the Company was aware of any other person, other than a director or the chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the HKRI Group.

3. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, none of the directors of the Company had any existing or proposed service contract with any member of the HKRI Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the directors of the Company had any interest, direct or indirect, in any assets which have, since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the HKRI Group, or were proposed to be acquired or disposed of by, or leased to, any member of the HKRI Group.
- (c) None of the directors of the Company was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the HKRI Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the interests of the directors of the Company in businesses (apart from the HKRI Group's businesses) which compete or were likely to compete, either directly or indirectly, with the principal businesses of the HKRI Group as required to be disclosed pursuant to the Listing Rules were as follows:

- (a) The Honourable Ronald Joseph ARCULLI is an independent non-executive director of Hang Lung Properties Limited ("Hang Lung") and also the non-executive director of Hutchison Harbour Ring Limited ("Hutchison"), Sino Hotels (Holdings) Limited ("Sino Hotels"), Sino Land Company Limited ("Sino Land") and Tsim Sha Tsui Properties Limited ("TST"). The businesses of Hang Lung, Hutchison, Sino Hotels, Sino Land and TST involve at least some if not all of property investment, property development, property management, treasury investment and hotel management and ownership. Hang Lung, Hutchison, Sino Hotels, Sino Land and TST are listed on the Stock Exchange.
- (b) Mr CHA Mou Sing Payson is the non-executive chairman of Hanison Construction Holdings Limited ("Hanison"), an associated corporation of the Company. He is also an independent non-executive director of New World Development Company Limited ("New World"), and Eagle Asset Management (CP) Limited ("Eagle Asset"), manager of Champion Real Estate Investment Trust ("Champion"). The businesses of Hanison, New World, Eagle Asset and Champion involve at least some if not all of property investment, property development, property management, treasury investment and hotel management and ownership. Hanison, New World and Champion are listed on the Stock Exchange.
- (c) Mr CHA Mou Zing Victor is an independent non-executive director of SOHO China Limited ("SOHO") and the alternate to Mr CHA Mou Sing Payson, an independent non-executive director of New World. The businesses of SOHO and New World involve at least some if not all of property investment, property development, property management and hotel management and ownership. SOHO and New World are listed on the Stock Exchange.
- (d) Mr CHA Mou Daid Johnson is a non-executive director of Hanison whose group's businesses consist of property investment, property development and property management. Hanison is listed on the Stock Exchange.
- (e) Ms WONG CHA May Lung Madeline is the director of Chinney Investments, Limited ("Chinney") and Hon Kwok Land Investment Company, Limited ("Hon Kwok") whose groups' businesses consist of property development and property investment. Chinney and Hon Kwok are listed on the Stock Exchange.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the HKRI Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the HKRI Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the HKRI Group since 31 March 2009, being the date to which the latest published audited financial statements of the HKRI Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Somerley Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities.

- (b) As at the Latest Practicable Date, Somerley Limited did not have any shareholding in any member of the HKRI Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the HKRI Group.
- (c) As at the Latest Practicable Date, Somerley Limited did not have any interest, direct or indirect, in any assets which have been, since 31 March 2009 (being the date to which the latest published audited accounts of the HKRI Group were made up), acquired or disposed of by or leased to any member of the HKRI Group, or are proposed to be acquired or disposed of by or leased to any member of the HKRI Group.
- (d) Somerley Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included herein in the form and context in which it appears.

8. GENERAL

The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs Richards Butler, 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong, during normal business hours on any business day from the date of this circular until 14 days hereafter:

- (a) the Construction and Renovation Agreement;
- (b) the Sale and Purchase Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Somerley Limited, the text of which is set out in this circular; and
- (e) the written consent referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of HKR International Limited (the "Company") will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 9 March 2010 at 9:30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "THAT:

- (a) the construction and renovation services framework agreement dated 20 January 2010 entered into between the Company and Hanison Construction Holdings Limited (the "Construction and Renovation Agreement"), in respect of which a copy of the circular dated 9 February 2010 (the "Circular") marked "A" and a copy of the Construction and Renovation Agreement marked "B" have been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the terms of and the transactions contemplated thereunder (the "Continuing Connected Transactions") be and are hereby approved, ratified and confirmed;
- (b) the annual caps (as defined in the Circular) in relation to the Continuing Connected Transactions be and are hereby approved, ratified and confirmed; and
- (c) any director or directors of the Company be and is/are hereby authorised, for and on behalf of the Company, to execute all such documents and to do all such acts or things incidental to, ancillary to or in connection with the Continuing Connected Transactions."

2. "THAT:

- (a) the sale and purchase agreement dated 25 January 2010 entered into between Broad Base International Limited, the Company's wholly-owned subsidiary, Cagen Holdings Limited and BC Investment LLC (the "Sale and Purchase Agreement"), in respect of which a copy of the Sale and Purchase Agreement marked "C" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification, and the terms of and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any director or directors of the Company be and is/are hereby authorised, for and on behalf of the Company, to execute all such documents and to do all such acts or things incidental to, ancillary to or in connection with the Sale and Purchase Agreement.”

By order of the Board
LO Tai On
Company Secretary

Hong Kong, 9 February 2010

Notes:

1. Any member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice (or at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. In case of joint registered holders of any share in the Company, any one of such persons may vote at the extraordinary general meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the extraordinary general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority shall be deposited at the Investor Centre of the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude a member from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof should he so wish.
4. Registration of the extraordinary general meeting will start at 9:00 a.m. on Tuesday, 9 March 2010. In order to ensure the meeting can start on time, shareholders or their proxies are encouraged to arrive at the venue for registration at least 15 minutes before the meeting starts.
5. A proxy form for use at the EGM is enclosed.