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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF INVESTMENT INTERESTS IN A REAL PROPERTY IN JAPAN

The Board is pleased to announce that on 28 March 2013, the Investors, two indirect wholly-owned subsidiaries of the Company, have indirectly acquired the investment interests in the Property as the underlying entrusted asset from the Vendor for the Consideration of JPY3,472,850,000 (approximately HK\$286.3 million). The Acquisition is expected to be completed on the Closing Date.

Since one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 28 March 2013, the Investors, two indirect wholly-owned subsidiaries of the Company, have indirectly acquired the investment interests in the Property as the underlying entrusted asset from the Vendor for the Consideration of JPY3,472,850,000 (approximately HK\$286.3 million). The Acquisition is expected to be completed on the Closing Date.

ACQUISITION OF INVESTMENT INTERESTS IN A REAL PROPERTY IN JAPAN

On 28 March 2013, the Investors have indirectly acquired the investment interests in the Property as the underlying entrusted asset from the Vendor through a sale and purchase agreement of the trust beneficiary interest in the Property entered into between the Operator as the purchaser and the Vendor on the same date. The Consideration was determined after arm's length negotiations between the Operator and the Vendor, and is paid and payable in two stages by cash as follows:

<u>Date of payment</u>	<u>Amount paid /payable</u>
On 28 March 2013	JPY1,032,000,000 (equivalent to approximately HK\$85.1 million) as the deposit.
On the Closing Date	JPY2,440,850,000 (equivalent to approximately HK\$201.2 million) being the balance of the Consideration.

The Consideration will be funded by the Group's internal resources and/or bank borrowings.

The investment interests in the Property will be held under an arrangement known as Tokumei-Kumiai (anonymous partnership). The legal title to the Property will be held by a trustee which is a licensed trust bank in Japan, whereas the beneficial ownership will be vested with the Operator. The Operator is owned and managed independently of the Company and the Investors, and the relationship between the Operator and each of the Investors is governed by an agreement entered into between them respectively, under which the Operator shall conduct the business of acquiring, holding, receiving income derived from, managing and dealing with the Property. The Operator will be entitled to receive a fixed annual fee for conducting the aforesaid business and will engage a licensed trustee to hold the registered title of the Property and an asset manager to oversee the management of the Property. The Operator will make cash distribution to the Investors annually, out of the net rental income (before taxation) arising from its beneficial holding of the Property or in case of disposition of the Property, promptly after the disposition.

The Investors, under the Tokumei-Kumiai arrangement, are HKR Properties (which contributes 95% of the fund for the Acquisition and is entitled to the same percentage of all distributions) and HKRJ Development (which contributes 5% of the fund for the Acquisition and is entitled to the same percentage of all distributions). The Company has been advised that such holding structure is commonly adopted by foreign investors in their real estate investments in Japan.

The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

INFORMATION ON THE PROPERTY

The Property comprises the land and a 13-storey office building namely "Graphio Nishi-Shinjuku Building" located at No. 22-9, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan.

According to a valuation conducted by DTZ Debenham Tie Leung K.K., an independent valuer engaged by the Operator, the appraised value of the Property as of 7 March 2013 by adopting the income approach was JPY3,720,000,000 (equivalent to approximately HK\$306.7 million).

Based on the information provided by the Vendor, the pre-tax net rental income attributable to the Property was approximately JPY61 million (equivalent to approximately HK\$5.0 million) and JPY145 million (equivalent to approximately HK\$12.0 million) for the years ended 31 March 2011 and 2012 respectively. The after-tax net rental income attributable to the Property was approximately JPY41 million (equivalent to approximately HK\$3.4 million) and JPY126 million (equivalent to approximately HK\$10.4 million) for the years ended 31 March 2011 and 2012 respectively.

COMPLETION OF THE ACQUISITION

Completion of the Acquisition is to take place on the Closing Date. A penalty equal to JPY688 million (equivalent to approximately HK\$56.7 million) shall be paid by the Operator or the Vendor which is in default and fails to complete the transaction in accordance with the sale and purchase agreement.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The Property with proximity to metro station and railway station in Shinjuku and Shibuya wards, Tokyo, Japan, will be held by the Group for investment purposes. The Directors are of the view that the Acquisition will broaden the property investment portfolio of the Group in Japan and generate steady and recurring rental income at market rate for the Group.

The Directors consider that the terms and conditions of the Acquisition are entered into upon normal commercial terms following arm's length negotiations and that such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

GENERAL

The Company is an investment holding company incorporated in the Cayman Islands with its securities listed on the Stock Exchange. The Group is principally engaged in property development, property investment, property management and related services, hotel and hospitality businesses and healthcare services.

HKR Properties is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, and is an investment holding company.

HKRJ Development is an indirect wholly-owned subsidiary of the Company incorporated in Japan, and is an investment holding company.

The Vendor is a special purpose company incorporated in Japan for holding the trust beneficiary interest in real estates.

The Operator is a special purpose company incorporated in Japan for holding the trust beneficiary interest in the Property and is the purchaser under the sale and purchase agreement. It is wholly-owned by an ippan shadan hojin which is a non-profit public association in Japan.

DEFINITIONS

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

“Acquisition”	acquisition of the investment interests in the Property as the underlying entrusted asset by the Investors through a sale and purchase agreement of the trust beneficiary interest in the Property entered into between the Operator and the Vendor on 28 March 2013;
“Board”	the board of Directors;
“Closing Date”	30 April 2013 or any day before 31 May 2013 which to be agreed between the Operator and the Vendor;
“Company”	HKR International Limited (香港興業國際集團有限公司*), a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the main board of the Stock Exchange (stock code: 00480);
“Consideration”	JPY3,472,850,000 (approximately HK\$286.3 million) as the consideration (including the consumption tax on the building) paid and payable by the Operator pursuant to the sale and purchase agreement with the Vendor which in turn is paid and payable by the Investors on the funding arrangement with the Operator;
“Directors”	director(s) of the Company from time to time;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKR Properties”	HKR Properties Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company;
“HKRJ Development”	HKRJ Development 株式會社 (HKRJ Development Company Limited#), a company incorporated in Japan with limited liability, an indirect wholly-owned subsidiary of the Company;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Investors”	HKR Properties and HKRJ Development, which contribute 95% and 5% fund respectively for the Acquisition;

“Operator”	HKRJ Graphio 合同會社 (HKRJ Graphio Godo Kaisha [#]), a special purpose company incorporated in Japan acting as the operator of the entrusted Property, whose rights and obligations under the Tokumei-Kumiai arrangement are set out in the announcement;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	comprises the land and a 13-storey office building namely “Graphio Nishi-Shinjuku Building” located at No. 22-9, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Avenue Office Second GK [#] , a special purpose company incorporated in Japan and is the current beneficiary of the Property; and
“JPY”	Japanese Yen, the lawful currency of Japan.

Unless otherwise specified in this announcement, amounts denominated in JPY have been converted into HK\$ at the rate of JPY1 = HK\$0.082450[^]. This rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been converted at the above rate or any other rates.

By order of the Board
HKR International Limited
CHUNG Sam Tin Abraham
Executive Director

Hong Kong, 3 April 2013

As at the date of this announcement, the board of directors of the Company comprises:

Chairman

Mr CHA Mou Sing Payson

Deputy Chairman & Managing Director

Mr CHA Mou Zing Victor

Executive Directors

Mr CHA Yiu Chung Benjamin
Mr CHUNG Sam Tin Abraham
Mr TANG Moon Wah

Non-executive Directors

The Honourable Ronald Joseph ARCULLI
Mr CHA Mou Daid Johnson
Ms WONG CHA May Lung Madeline

Independent Non-executive Directors

Dr CHENG Kar Shun Henry
Dr CHEUNG Kin Tung Marvin
Mr CHEUNG Wing Lam Linus
Ms HO Pak Ching Loretta
Dr QIN Xiao

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

Translation of Japanese names in English is provided for identification purpose only

[^] Closing exchange rate as at 28 March 2013 obtained from Bloomberg