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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)**

### **CONTINUING CONNECTED TRANSACTIONS RELATING TO SERVICES RENDERED TO THE HAINING GROUP**

Reference is made to the interim results announcement of the Company dated 27 November 2013 for the six months ended 30 September 2013, whereby the continuing connected transactions entered into by the Group and the Haining Group in relation to the Haining Project were mentioned.

On 13 December 2013, the Company entered into the Agreement with Clear Shine, pursuant to which the Group (excluding, for these purposes, members of the Hanison Group) has provided and shall continue to provide Services to the Haining Group in respect of the Haining Project, including but not limited to project management services and consulting services.

Clear Shine is indirectly owned as to not less than 30% by CCM Trust, a substantial shareholder of the Company with approximately 41.48% direct and indirect shareholding interest in the Company. Accordingly, Clear Shine is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Transactions between members of the Haining Group and members of the Group (including, for these purposes, members of the Hanison Group) constitute connected transactions for the Company pursuant to the Listing Rules. It is expected that the provision of Services by the Group (excluding, for these purposes, the Hanison Group) to the Haining Group alone constitutes a de minimis transaction for the Company in accordance with rule 14A.31(2)(a) of the Listing Rules which is exempt from reporting and announcement requirements.

Nevertheless, as the Hanison Group, which has been treated as a subsidiary group of the Company starting from 1 April 2013 under HKFRS 10, also provides project management services and site supervision services in respect of the Haining Project to each of Haining Fusheng and Haining Jiafeng, of which Clear Shine holds 100% and 51% shareholding interests respectively, the aggregate value for the provision of all services by the Group, including those rendered by the Hanison Group, to the Haining Group, on an annual basis results in some of the applicable percentage ratios under rule 14.07 of the Listing Rules exceeding 0.1% but all applicable percentage ratios are less than 5%. Accordingly, the

transactions constitute continuing connected transactions for the Company under rule 14A.34(1) of the Listing Rules which are subject to the reporting and announcement requirements and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from independent shareholders' approval.

Transactions between members of the Haining Group and members of the Hanison Group separately constitute connected transactions for Hanison, and are (and will continue to be) the subject of separate agreement(s) entered into between members of such respective groups. Shareholders and investors can refer to the announcements of Hanison dated 2 April 2012 and 31 July 2013 for the details, including their respective annual caps, of the continuing connected transactions of the Hanison Group with each of Haining Fusheng and Haining Jiafeng.

## **BACKGROUND**

Reference is made to the interim results announcement of the Company dated 27 November 2013 for the six months ended 30 September 2013, whereby the continuing connected transactions entered into by the Group and the Haining Group in relation to the Haining Project were mentioned.

As a result of the decision of the Board to treat Hanison as a subsidiary of the Company in accordance with the requirements of HKFRS 10, any transaction entered into by the Hanison Group is treated as a transaction of the Group. During the preparation of the interim report of the Company, the Company noted that the Group (excluding the Hanison Group) has provided project management services to members of the Haining Group in respect of the Haining Project, and the Hanison Group has also provided project management services and site supervision services in respect of the Haining Project to each of Haining Fusheng and Haining Jiafeng, of which Clear Shine holds 100% and 51% shareholding interests respectively.

Clear Shine is indirectly owned as to not less than 30% by CCM Trust, a substantial shareholder of the Company with approximately 41.48% direct and indirect shareholding interest in the Company. Accordingly, Clear Shine is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and transactions between members of the Haining Group and members of the Group (including, for these purposes, members of the Hanison Group) constitute connected transactions for the Company pursuant to the Listing Rules. As the aggregate value for the provision of all services by the Group, including those rendered by the Hanison Group, to the Haining Group, on an annual basis results in some of the applicable percentage ratios under rule 14.07 of the Listing Rules exceeding 0.1% but all applicable percentage ratios are less than 5%, accordingly, the transactions constitute continuing connected transactions for the Company under rule 14A.34(1) of the Listing Rules which are subject to the reporting and announcement requirements and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from independent shareholders' approval. As required under the Listing Rules, the Company entered into the Agreement with Clear Shine for the provision of Services in respect of the Haining Project.

## **THE AGREEMENT**

### **1. Date**

13 December 2013

### **2. Parties**

HKR International Limited; and

Clear Shine International Limited

### **3. Term**

The Agreement shall take effect as from 1 April 2013 and continue until 31 March 2016. The parties agree, prior to 31 March 2016, if the circumstances so require, to renew the Agreement for a further term of three years or to enter into a new agreement substantially in the same form as the Agreement, in either case, with effect from 1 April 2016, subject to the compliance with the then applicable requirements under the Listing Rules. Either party shall be entitled to terminate the Agreement without penalty by giving not less than three months' advance written notice to the non-terminating party.

### **4. Services**

Members of the Haining Group may engage members of the Group (excluding, for these purposes, members of the Hanison Group) to provide Services in respect of the Haining Project. Such Services may include (but will not be limited to) project management services and consulting services.

### **5. Consideration and Annual Caps**

The Company has been receiving a monthly management fee from relevant members of the Haining Group calculated based on the actual staff costs in carrying out the Services. The management fee was determined on an arm's length basis, based on the prevailing market price for management services provided to independent third parties and the nature and amount of work and services to be provided by the Company to members of the Haining Group.

The actual amounts the Group (excluding the Hanison Group) and the Hanison Group received from the Haining Group for the period from 1 April 2013 to 30 September 2013 were as follows:

	<b>The Group (excluding the Hanison Group)</b>	<b>The Hanison Group</b>
Project management services	HK\$0.96 million	HK\$1.7 million
Site supervision services	---	HK\$3.0 million

The Annual Caps for the provision of the Services to the Haining Group pursuant to the Agreement are as follows:

<b>Relevant Financial Period</b>	<b>Annual Cap</b>
1 April 2013 – 31 March 2014	HK\$2.8 million
1 April 2014 – 31 March 2015	HK\$5.6 million
1 April 2015 – 31 March 2016	HK\$3.5 million

The annual caps for the provision of services which have been and shall continue be provided by the Hanison Group to the Haining Group are as follows:

<b>Relevant Financial Period</b>	<b>Project management services</b>	<b>Site supervision services</b>	<b>Annual Cap</b>
1 April 2013 - 31 March 2014	RMB3,984,000 (equivalent to approximately HK\$5.1 million)	RMB5,610,000 (equivalent to approximately HK\$7.1 million)	RMB9,594,000 (equivalent to approximately HK\$12.2 million)
1 April 2014 - 31 March 2015	RMB3,984,000 (equivalent to approximately HK\$5.1 million)	RMB6,360,000 (equivalent to approximately HK\$8.1 million)	RMB10,344,000 (equivalent to approximately HK\$13.2 million)

The annual caps for the provision of all services which have been and shall continue be provided by the Group (including, for these purposes, members of the Hanison Group) to the Haining Group are as follows:

<b>Relevant Financial Period</b>	<b>Services rendered by the Group (excluding the Hanison Group)</b>	<b>Services rendered by the Hanison Group</b>	<b>Annual Cap</b>
1 April 2013 - 31 March 2014	HK\$2.8 million	RMB9,594,000 (equivalent to approximately HK\$12.2 million)	HK\$2.8 million and RMB9,594,000 (equivalent to approximately HK\$15.0 million)
1 April 2014 - 31 March 2015	HK\$5.6 million	RMB10,344,000 (equivalent to approximately HK\$13.2 million)	HK\$5.6 million and RMB10,344,000 (equivalent to approximately HK\$18.8 million)
1 April 2015 - 31 March 2016	HK\$3.5 million	RMB10,344,000 <sup>#</sup> (equivalent to approximately HK\$13.2 million)	HK\$3.5 million and RMB10,344,000 <sup>#</sup> (equivalent to approximately HK\$16.7 million <sup>#</sup> )

<sup>#</sup> assuming that Hanison's annual cap for the year remains the same as the previous year

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Haining Project is a large-scale integrated development project comprising residential, office, retails and hotel developments. The entering into of the Agreement will enable the Group to fully utilize its expertise and enrich its experience on giving guidance to sizable development projects located in the PRC.

The Directors believe that the transactions contemplated under the Agreement have been entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr Payson Cha, Mr Victor Cha, Mr Johnson Cha and Ms Madeline Wong, all being Directors of the Company and each having a material interest in the Agreement and the transactions contemplated therein had abstained from voting on the Board resolutions for approving the Agreement.

## **LISTING RULES IMPLICATION**

Clear Shine is indirectly owned as to not less than 30% by CCM Trust, a substantial shareholder of the Company with approximately 41.48% direct and indirect shareholding interest in the Company. Accordingly, Clear Shine is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Transactions between members of the Haining Group and members of the Group (including, for these purposes, members of the Hanison Group) constitute connected transactions for the Company pursuant to the Listing Rules. It is expected that the provision of Services by the Group (excluding, for these purposes, the Hanison Group) to the Haining Group alone constitutes a de minimis transaction for the Company in accordance with rule 14A.31(2)(a) of the Listing Rules which is exempt from reporting and announcement requirements.

Nevertheless, as the Hanison Group, which has been treated as a subsidiary group of the Company starting from 1 April 2013 under HKFRS 10, also provides project management services and site supervision services in respect of the Haining Project to each of Haining Fusheng and Haining Jiafeng, of which Clear Shine holds 100% and 51% shareholding interests respectively, the aggregate value for the provision of all services by the Group, including those rendered by the Hanison Group, to the Haining Group, on an annual basis results in some of the applicable percentage ratios under rule 14.07 of the Listing Rules exceeding 0.1% but all applicable percentage ratios are less than 5%. Accordingly, the transactions constitute continuing connected transactions for the Company under rule 14A.34(1) of the Listing Rules which are subject to the reporting and announcement requirements and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from independent shareholders' approval.

## **GENERAL INFORMATION**

The Company is an investment holding company incorporated in the Cayman Islands, the securities of which are 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.

Clear Shine is an investment holding company incorporated in the British Virgin Islands.

Transactions between members of the Haining Group and members of the Hanison Group separately constitute connected transactions for Hanison, and are (and will continue to be) the subject of separate agreement(s) entered into between members of such respective groups. Shareholders and investors can refer to the announcements of Hanison dated 2 April 2012 and 31 July 2013 for the details, including their respective annual caps, of the continuing connected transactions of the Hanison Group with each of Haining Fusheng and Haining Jiafeng.

## DEFINITIONS

“Agreement”	the agreement dated 13 December 2013 entered into between the Company and Clear Shine for the provision of Services;
“Annual Cap(s)”	the maximum aggregate annual value(s) of the Services pursuant to the Agreement;
“Board”	the board of directors of the Company;
“CCM Trust”	CCM Trust (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability and which has approximately 41.48% and 68.30% direct and indirect shareholding interests in the Company and Hanison respectively. CCM Trust is the corporate trustee of certain but not identical discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming’s issue, including Mr Payson CHA, Mr Victor CHA, Mr Johnson CHA and Ms Madeline WONG, who are directors of the Company and/or Hanison;
“Clear Shine”	Clear Shine International Limited, a company incorporated in the British Virgin Islands;
“Company”	HKR International Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code : 00480);
“Director(s)”	directors of the company from time to time;
“Group”	the Company and its subsidiaries from time to time;
“HKFRS”	Hong Kong Financial Reporting Standard;
“Haining Fusheng”	海寧富盛房地產有限公司 (Translation: Haining Fusheng Real Estate Development Limited), a company incorporated in the PRC;
“Haining Group”	Clear Shine and its subsidiaries from time to time, including but not limited to Haining Fusheng and Haining Jiafeng, being together responsible for the Haining Project;

“Haining Jiafeng”	海寧嘉豐房地產有限公司(Translation: Haining Jiafeng Real Estate Development Limited) , a company incorporated in the PRC;
“Haining Project”	a large-scale integrated development project comprising residential, office, retails and hotel developments in Haining City, Zhejiang Province, the PRC;
“Hanison”	Hanison Construction Holdings Limited, 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 : 00896). Hanison is directly and indirectly owned as to approximately 49% by the Company;
“Hanison Group”	Hanison and its subsidiaries from time to time. The results of Hanison Group have been consolidated as a subsidiary group of the Company starting from 1 April 2013 by virtue of the application of HKFRS 10;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Services”	all services provided and to be provided by members of the Group (excluding members of the Hanison Group) to members of the Haining Group in respect of the Haining Project; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

*Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1.0 = HK\$1.2688. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.*

By order of the Board  
**HKR International Limited**  
**MAK Sau Ching**  
*Company Secretary*

Hong Kong, 13 December 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 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*