



HKRI 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)



興勝創建控股有限公司*
HANISON CONSTRUCTION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
 (Stock Code: 00896)

JOINT ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

HKRI and Hanison have entered into the Construction and Renovation Services Framework Agreement dated 30 January 2007 to govern the outline terms upon which members of the HKRI Group and members of the Hanison Group propose to engage in the Construction Transactions and Renovation Transactions during the three financial years ending 31 March 2010.

HKRI, through its wholly-owned subsidiary, holds approximately 49% of the issued share capital of Hanison, and is, therefore, a substantial shareholder and a connected person of Hanison. Accordingly, the Agreement represents a continuing connected transaction for Hanison, subject to the reporting and independent shareholders' approval requirements of the Listing Rules. Moreover, as Hanison is the 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 interest in Hanison held, indirectly, through HKRI), Hanison is a connected person of HKRI. Accordingly, the Agreement represents a continuing connected transaction for HKRI, subject to the reporting and independent shareholders' approval requirements of the Listing Rules.

Independent board committees for HKRI and Hanison have been constituted to make recommendations to the HKRI Independent Shareholders and the Hanison Independent Shareholders, respectively, in respect of resolutions to approve the Agreement. An independent financial adviser will be appointed by each of HKRI and Hanison to advise the independent board committees for HKRI and Hanison and the HKRI Independent Shareholders and the Hanison Independent Shareholders, respectively, as to whether the terms of the Agreement are fair and reasonable so far as the shareholders of HKRI and Hanison are concerned.

The Major Shareholders and their respective associates will abstain from voting at the HKRI EGM on the resolution to approve the Agreement. In addition, HKRI, the Major Shareholders and their respective associates will abstain from voting at the Hanison EGM on the resolution to approve the Agreement.

A circular containing, among other things, details of the Agreement, the advice of the independent financial adviser appointed by HKRI and the recommendations of its independent board committee, together with a notice convening the HKRI EGM will be despatched to the shareholders of HKRI as soon as practicable.

In addition, a circular containing, among other things, details of the Agreement, the advice of the independent financial adviser appointed by Hanison and the recommendations of its independent board committee, together with a notice convening the Hanison EGM will be despatched to the shareholders of Hanison as soon as practicable. An announcement on the results of the HKRI EGM and Hanison EGM in respect of the Agreement will be made on the next business day after the HKRI EGM and Hanison EGM, respectively.

BACKGROUND

Since the spin-off of Hanison from the HKRI Group and its separate listing on the Stock Exchange in 2002, members of the Hanison Group have continued to provide Services to members of the HKRI Group pursuant to continuing connected transactions approved from time to time by the independent shareholders of both HKRI and Hanison. The last such independent shareholder approvals were obtained at respective extraordinary general meetings of HKRI and Hanison convened and held in January 2004, and are due to expire on 31 March 2007.

HKRI has a land bank which it proposes to develop over time, including as regards the intended additional phase at Yi Pak, Discovery Bay, Lantau Island. The developments will include residential, commercial and recreational projects for which HKRI proposes, from time to time, to request tenders. Both HKRI and Hanison anticipate that Hanison 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 HKRI may from time to time require in relation to the properties and developments owned, operated or managed by the HKRI Group, including in relation to the CDW Building in Tsuen Wan, New Territories owned by the HKRI Group. HKRI may or may not open such renovation works to tender depending on the size of the works involved.

HKRI and Hanison have entered into the Construction and Renovation Services Framework Agreement dated 30 January 2007 to govern the outline terms upon which members of the HKRI Group and members of the Hanison Group propose to engage in the Construction Transactions and Renovation Transactions during the three financial years ending 31 March 2010.

CONSTRUCTION AND RENOVATION SERVICES FRAMEWORK AGREEMENT

Date of agreement: 30 January 2007

Parties: (1) HKRI
 (2) Hanison

Provision of Services: The 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 Construction Transactions entered into between the HKRI Group and the Hanison Group, and all Renovation Projects which form the subject of Renovation Transactions entered into between the HKRI Group and the Hanison Group.

The relevant members of the HKRI Group and the relevant members of the Hanison Group will enter into subsidiary agreements covering the Construction Transactions and the Renovation Transactions envisaged under the 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 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.

Annual Caps: The total value of the Construction Transactions to be entered into by the Hanison Group to the HKRI Group (in terms of revenue recognition) for each of the three years ending 31 March 2010 shall not exceed the following (except as noted below):

1 April 2007 — 31 March 2008	HK\$450 million
1 April 2008 — 31 March 2009	HK\$450 million
1 April 2009 — 31 March 2010	HK\$450 million

The total value of the Renovation Transactions to be entered into by the Hanison Group to the HKRI Group (in terms of revenue recognition) for each of the three years ending 31 March 2010 shall not exceed the following (except as noted below):

1 April 2007 — 31 March 2008	HK\$20 million
1 April 2008 — 31 March 2009	HK\$20 million
1 April 2009 — 31 March 2010	HK\$20 million

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

The annual cap in respect of the Construction Transactions referred to above was arrived at as being the average of the respective caps as independently determined by each party in accordance with their own confidential bases and assumptions which were broadly comparable (and hence were agreed on the basis of an average). It is the belief of the respective directors of HKRI and Hanison that the averaging of the respective caps to produce the annual cap is fair and reasonable. Each party's caps were determined as a product of their respective estimations of the following factors: (i) the anticipated development plans of HKRI and in particular the estimated floor areas to be developed each year, (ii) the anticipated average construction costs per square metre for a range of standards and styles of residential and non-residential developments, and (iii) the estimated success rate of members of the Hanison Group tendering for such Construction Transactions. The annual cap on the Construction Transactions has been set at a lower amount than the annual cap for the current and two previous financial years (being the higher of 50% of the Hanison Group's then latest published audited consolidated turnover and HK\$800 million).

The annual cap in respect of the Renovation Transactions is based upon an average cost of the renovation work performed by the Hanison Group for the HKRI Group over the three years ended 31 March 2006 (including, for these purposes, work performed by the Hanison Group in respect of the CDW Building, which, prior to January 2006, was owned by an associate of Dr Cha (and was the subject of separate annual caps approved by the Hanison Independent Shareholders in respect of the work performed for the associates of Dr Cha)). This average annual cost was approximately HK\$18 million, to which a factor of approximately 10% has been applied to give the proposed annual cap of HK\$20 million.

Term: The Agreement will take effect as from 1 April 2007 and will continue thereafter for a term expiring on 31 March 2010. Upon the expiry of the Agreement, the parties may renew the Agreement subject to compliance with the Listing Rules and all applicable laws.

PARTICULARS OF PAST CONNECTED TRANSACTIONS

Particulars of the Construction Transactions

Shareholders of HKRI and Hanison are reminded that the caps on the aggregate turnover payable by the HKRI Group to the Hanison Group in respect of construction transactions over the three financial years ending 31 March 2007 under the Previous Waivers were:

	For the year ended 31 March (HK\$)		
	2005	2006	2007
Previous Cap	The higher of: (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000	The higher of: (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000	The higher of: (i) 50% of the audited consolidated turnover of the Hanison Group for the previous financial year; and (ii) 800,000,000

Approximately HK\$180.8 million, HK\$187.5 million and HK\$25.3 million were derived by the Hanison Group from the HKRI Group in respect of construction transactions for the years ended 31 March 2005 and 2006 and for the six months ended 30 September 2006 respectively. The decline in the amounts derived is due to the cyclical nature of construction works generally.

Particulars of the Renovation Transactions

Shareholders are reminded that the caps on the aggregate turnover which may be payable by the HKRI Group (or the associate of Dr Cha) in respect of renovation transactions over the three financial years ending 31 March 2007 under the Previous Waivers were:

	For the year ended 31 March (HK\$)		
	2005	2006	2007
Previous Cap			
(i) Transactions between members of the HKRI Group and the Hanison Group	10,000,000	10,000,000	10,000,000
(ii) Renovation works for CDW Building	22,000,000	3,000,000	3,000,000

Approximately HK\$1.4 million, HK\$500,000 and HK\$50,000 were derived by the Hanison Group from the HKRI Group in respect of renovation transactions for the years ended 31 March 2005 and 2006 and for the six months ended 30 September 2006 (with the figure for the six months ended 30 September 2006 including amounts derived by the Hanison Group in respect of renovation works for the CDW Building), respectively. The decline in the amounts derived is due to the cyclical nature of renovation works generally. An additional approximate HK\$5.4 million and HK\$2.7 million were derived by the Hanison Group in respect of renovation works for the CDW Building for the years ended 31 March 2005 and 2006 respectively.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The principal business activity of HKRI is investment holding. Its subsidiaries are 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, property investment, hotel operation, manufacturing and other investment.

The principal business activity of Hanison is investment holding. Its subsidiaries are principally engaged in building construction, interior and renovation works, supply and installation of building materials, trading of health products and property investment and development.

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 Agreement provides the basic framework for future transactions of a revenue nature for each of HKRI and Hanison and which each regards as being essential to the continued operation and growth of their respective businesses.

OPINIONS OF THE DIRECTORS

Members of the HKRI Board (subject, in the case of the independent non-executive directors of HKRI, to the advice of the independent financial adviser appointed by HKRI as regards the Agreement, details of which will be set out in the circular to be despatched to shareholders of HKRI) are of the opinion that the Agreement reflects terms that are fair and reasonable so far as its shareholders are concerned and is in the interests of HKRI and its shareholders as a whole.

Members of the Hanison Board (subject, in the case of the independent non-executive directors of Hanison, to the advice of the independent financial adviser appointed by Hanison as regards the Agreement, details of which will be set out in the circular to be despatched to shareholders of Hanison) are of the opinion that the Agreement reflects terms that are fair and reasonable so far as its shareholders are concerned and is in the interests of Hanison and its shareholders as a whole.

LISTING RULES IMPLICATIONS

HKRI, through its wholly-owned subsidiary, holds approximately 49% of the issued share capital of Hanison, and is, therefore, a substantial shareholder and a connected person of Hanison. Accordingly, the Agreement represents a continuing connected transaction for Hanison, subject to the reporting and independent shareholders' approval requirements of the Listing Rules. Moreover, as Hanison is the 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 interest in Hanison held, indirectly, through HKRI), Hanison is a connected person of HKRI. Accordingly, the Agreement represents a continuing connected transaction for HKRI, subject to the reporting and independent shareholders' approval requirements of the Listing Rules.

Independent board committees for HKRI and Hanison have been constituted to make recommendations to the HKRI Independent Shareholders and the Hanison Independent Shareholders, respectively, in respect of resolutions to approve the Agreement. An independent financial adviser will be appointed by each of HKRI and Hanison to advise the independent board committees for HKRI and Hanison and the HKRI Independent Shareholders and the Hanison Independent Shareholders respectively as to whether the terms of the Agreement are fair and reasonable so far as the shareholders of HKRI and Hanison are concerned.

The Major Shareholders and their respective associates will abstain from voting at the HKRI EGM on the resolution to approve the Agreement. In addition, HKRI, the Major Shareholders and their respective associates will abstain from voting at the Hanison EGM on the resolution to approve the Agreement.

A circular containing, among other things, details of the Agreement, the advice of the independent financial adviser appointed by HKRI and the recommendations of its independent board committee, together with a notice convening the HKRI EGM will be despatched to the shareholders of HKRI as soon as practicable.

In addition, a circular containing, among other things, details of the Agreement, the advice of the independent financial adviser appointed by Hanison and the recommendations of its independent board committee, together with a notice convening the Hanison EGM will be despatched to the shareholders of Hanison as soon as practicable. An announcement on the results of the HKRI EGM and Hanison EGM in respect of the Agreement will be made on the next business day after the HKRI EGM and Hanison EGM, respectively.

GENERAL

Shareholders of HKRI and Hanison should note that, apart from the existing construction contracts relating to development projects at Discovery Bay, the Construction Transactions and 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 HKRI Independent Shareholders and/or the Hanison Independent Shareholders do not give their consent to HKRI and/or Hanison respectively for entering into the Agreement. Accordingly, Shareholders of HKRI and Hanison and other investors are advised to exercise caution when dealing in the shares of HKRI and/or Hanison.

DEFINITIONS

In this announcement, the following terms have the following meanings:

"Agreement"	the Construction and Renovation Services Framework Agreement between HKRI and Hanison dated 30 January 2007;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Building Project"	each project relating to the construction of residential, commercial, hotel and recreational properties, buildings and related infrastructure and facilities for which HKRI may from time to time seek tenders;
"Connected Transactions"	the Construction Transactions and the Renovation Transactions;
"Construction Transactions"	the 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 2010 in relation to any Building Project in respect of any tender from the Hanison Group accepted by the HKRI Group;
"Dr Cha"	Dr Cha Chi Ming, a non-executive director and the chairman of HKRI;
"Hanison"	Hanison Construction Holdings Limited, a company incorporated in the Cayman Islands the issued share capital of which is listed on the Stock Exchange. Hanison is indirectly owned as to approximately 49% by HKRI;
"Hanison Board"	the board of directors of Hanison;
"Hanison EGM"	the extraordinary general meeting of Hanison to be convened for the purpose of approving the Agreement;
"Hanison Group"	Hanison and its subsidiaries from time to time;
"Hanison Independent Shareholders"	the independent shareholders of Hanison excluding, for all purposes in connection with the approval of the Agreement, HKRI, the Major Shareholders and their respective associates;
"HK\$"	Hong Kong dollars;
"HKRI"	HKR International Limited, a company incorporated in the Cayman Islands the issued securities of which are listed on the Stock Exchange;
"HKRI Board"	the board of directors of HKRI;
"HKRI EGM"	the extraordinary general meeting of HKRI to be convened for the purpose of approving the Agreement;
"HKRI Group"	HKRI and its subsidiaries from time to time;
"HKRI Independent Shareholders"	the independent shareholders of HKRI excluding, for all purposes in connection with the approval of the Agreement, the Major Shareholders and their respective associates;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Major Shareholders"	CCM Trust (Cayman) Limited ("CCM"), CDW Holdings Limited ("CDW"), LBJ Regents Limited ("LBJ") and Dolios Limited ("Dolios") who are, together, directly or indirectly interested in approximately 50.46% of HKRI and approximately 24.18% of Hanison (excluding, for these purposes, their interest in Hanison held, indirectly, through HKRI), where: <ol style="list-style-type: none"> (a) CCM is a company incorporated in the Cayman Islands with limited liability and which has a direct interest in HKRI of approximately 35.64% 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) is the corporate trustee of a discretionary trust of which members of the class of discretionary beneficiaries comprise Dr Cha and his issue; (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) 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 but not identical discretionary trusts of which members of the class of discretionary beneficiaries comprise Dr Cha and his issue; and (d) Dolios is a company incorporated in the British Virgin Islands with limited liability and which indirectly, via its subsidiary, Mingly Asia Capital Limited, is interested in approximately 3.04% of HKRI. Dolios is the corporate trustee for a discretionary trust of which members of the class of discretionary beneficiaries comprise the issue of Dr Cha;
"Previous Waivers"	previous waivers granted by the independent shareholders of HKRI and Hanison respectively at extraordinary general meetings held on 12 January 2004, approving arrangements for the entering into and proposed caps on the aggregate transaction values of certain connected construction and renovation transactions for the three financial years ending 31 March 2007, together with the waivers granted by the Stock Exchange on 11 February 2004, from strict compliance with the requirements then set out in Chapter 14 of the Listing Rules for the three financial years ending 31 March 2007 in respect of the same certain connected construction and renovation transactions entered into between the Hanison Group and the HKRI Group during such period;
"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 (including, without limitation, the CDW Building in Tsuen Wan, New Territories (the "CDW Building"));
"Renovation Transactions"	the 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 2010 in relation to any Renovation Project(s);
"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; and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

By order of the Board
HKR INTERNATIONAL LIMITED
CHA Mou Zing Victor
Managing Director

By order of the Board
HANISON CONSTRUCTION HOLDINGS LIMITED
WONG Sue Toa Stewart
Managing Director

Hong Kong, 31 January 2007

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

Non-executive chairman
 Dr CHA Chi Ming

Executive deputy chairman
 Mr CHA Mou Sing Payson

Executive directors
 Mr CHA Mou Zing Victor (*Managing Director*)
 Mr CHEUNG Tseung Ming
 Mr CHUNG Sam Tin Abraham
 Ms HO Pak Ching Loretta
 Mr TANG Moon Wah

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

Non-executive chairman
 Mr CHA Mou Sing Payson

Executive directors
 Mr WONG Sue Toa Stewart (*Managing Director*)
 Mr TAI Sai Ho (*General Manager*)
 Dr LAM Chat Yu
 Mr SHEN Tai Hing

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 The Honourable CHEUNG Kin Tung Marvin
 Mr CHEUNG Wing Lam Linus

Non-executive directors
 Mr CHA Mou Daid Johnson
 Mr CHA Yiu Chung Benjamin

Independent non-executive directors
 Mr CHAN Pak Joe
 Dr LAU Tze Yiu Peter
 Dr SUN Tai Lun