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Sun Hung Kai Properties Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 16)

CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

On 28 March 2006, Vikwood Investment, a wholly owned subsidiary of China Resources, and Grand Sky, a wholly owned subsidiary of the Company, entered into the Agreement governing the relationship between Vikwood Investment and Grand Sky as shareholders in the JV Company. Pursuant to the Agreement, the JV Company will establish the WFOE for development of the Land.

China Resources is a substantial shareholder of a subsidiary of the Company. Vikwood Investment, being a wholly owned subsidiary of China Resources, is regarded as a connected person of the Company under the Listing Rules. Hence, the entering into of the Agreement constitutes a connected transaction of the Company. According to the capital commitment of Grand Sky in the WFOE through its Interests in the JV Company, the applicable percentage ratios are greater than 0.1% but are less than 2.5% for the purposes of Listing Rule 14.07. Therefore, the entering into of the Agreement is exempt from the independent shareholders' approval requirement under Listing Rule 14A.32 and is only subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47 of the Listing Rules.

THE AGREEMENT DATED 28 MARCH 2006

- Parties: (1) Vikwood Investment, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of China Resources. Upon signing of the Agreement, Vikwood Investment will hold 60% of the entire issued share capital in the JV Company.
- (2) Grand Sky, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company. Upon signing of the Agreement, Grand Sky by way of subscription of new shares in the JV Company will hold 40% of the entire issued share capital in the JV Company as enlarged by such subscription.
- (3) JV Company, a limited liability company incorporated in the British Virgin Islands on 12 October 2005.

MAJOR TERMS OF THE AGREEMENT

The purpose of the JV Company

The JV Company is an investment holding company. Vikwood Investment and Grand Sky agree that the principal purpose of the JV Company is to set up the WFOE in Jiangsu Province, the PRC for development of the Land and the construction, operation and management of the Project.

Composition of the board of directors

The board of directors of the JV Company shall consist of 5 directors. Vikwood Investment shall be entitled to nominate 3 directors and Grand Sky shall be entitled to nominate 2 directors.

Profit sharing

The profit and loss of the JV Company shall be shared between Vikwood Investment and Grand Sky in accordance with their respective shareholding in the JV Company.

PARTICULARS OF THE WFOE

According to current plans, the total investment amount of the WFOE shall not exceed US\$130,000,000 (equivalent to approximately HK\$1,014,000,000). The capital commitment of Grand Sky in the WFOE, through its 40% Interest in the JV Company, shall be 40% of the total investment amount of the WFOE i.e. US\$52,000,000 (equivalent to approximately HK\$405,600,000). Currently there is no fixed timetable for payment of the above total investment amount. Payment will be made whenever deemed necessary for the development of the Project.

The board of directors of the WFOE shall consist of 5 directors. Vikwood Investment shall be entitled to nominate 3 directors and Grand Sky shall be entitled to nominate 2 directors. The parties agreed to procure the JV Company to effect such appointments.

REASONS FOR ENTERING INTO THE AGREEMENT

The Group is principally engaged in property development and investment in Hong Kong and in the PRC. The Directors consider that its holding of a 40% Interest in the JV Company gives an opportunity for the Group to indirectly increase its land reserve at a reasonable price. The Directors (including the independent non-executive Directors) believe that the Group's investment in the JV Company will enable the Group to further strengthen its business in the field of property development in the PRC and that the terms of the Agreement are on normal commercial terms, and are fair and reasonable and the Agreement is in the interests of the Company and the shareholders of the Company as a whole.

CONNECTED TRANSACTION

China Resources is a substantial shareholder of a subsidiary of the Company. Vikwood Investment, being a wholly owned subsidiary of China Resources, is regarded as a connected person of the Company under the Listing Rules. Hence, the entering into of the Agreement constitutes a connected transaction of the Company. According to the capital commitment of Grand Sky in the WFOE through its Interests in the JV Company, the applicable percentage ratios are greater than 0.1% but are less than 2.5% for the purposes of Listing Rule 14.07. Therefore, the entering into of the Agreement is exempt from the independent shareholders' approval requirement under Listing Rule 14A.32 and is only subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47 of the Listing Rules.

GENERAL

Each of Vikwood Investment, Grand Sky and the JV Company are investment holding companies. The Group is principally engaged in development of and investment in properties for sale and for rental purposes. As far as the Directors are aware, China Resources is a conglomerate with businesses in, inter alia, property development and investment in Hong Kong and the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Agreement”	the shareholders agreement dated 28 March 2006 entered into by Vikwood Investment, Grand Sky and the JV Company, details of which are set out in the section headed “The Agreement dated 28 March 2006” of this announcement
“Board”	the board of Directors
“China Resources”	China Resources (Holdings) Company Limited, a private company incorporated in Hong Kong with limited liability
“Company”	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Grand Sky”	Grand Sky Limited, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Interest(s)”	interest(s) in shareholding in the JV Company and/or interests in shareholder’s loan contributed by the relevant shareholder of the JV Company
“JV Company”	Wellview Investment Limited, a limited liability company incorporated in the British Virgin Islands on 12 October 2005
“Land”	the piece of land with a site area of 1,115,600 sq. m., situated at 中國江蘇省無錫市太湖新城一號地塊 (Lot No. 1, Tai Hu Xin Cheng, Wuxi City, Jiangsu Province, the PRC)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project”	the development on the Land into a complex comprising tentatively commercial (including shopping centres), residential, offices and service apartment / hotel to be undertaken by the WFOE on the Land
“sq. m.”	square meters
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Vikwood Investment”	Vikwood Investment Limited, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of China Resources
“WFOE”	the wholly foreign owned enterprise to be established by the JV Company in the PRC for the development of the Land and the construction, operation and management of the Project
“%”	per cent
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	the United States dollars, the lawful currency of the United States

By Order of the Board
SUN HUNG KAI PROPERTIES LIMITED
Lai Ho-kai, Ernest
Company Secretary

Hong Kong 28 March 2006

As at the date of this announcement, the Board comprises eight executive Directors, being Kwok Ping-sheung Walter, Kwok Ping-kwong Thomas, Kwok Ping-luen Raymond, Chan Kai-ming, Chan Kui-yuen Thomas, Kwong Chun, Wong Yick-kam Michael and Wong Chik-wing Mike; six non-executive Directors, being Lee Shau-kee, Woo Po-shing, Li Ka-cheung Eric, Kwan Cheuk-yin William, Lo Chiu-chun Clement and Law King-wan; and four independent non-executive Directors, being Chung Sze-yuen, Fung Kwok-king Victor, Yip Dicky Peter and Wong Yue-chim Richard.

For the purposes of illustration only and unless otherwise stated, the conversion of US dollars into Hong Kong dollars is based on the exchange rate of US\$1=HK\$7.8. Such conversion should not be construed as a representation that the amount in question have been, could have been or could be converted at any particular rate or at all.

Please also refer to the published version of this announcement in South China Morning Post.