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## **Sun Hung Kai Properties Limited**

*(incorporated in Hong Kong with limited liability)*

(Stock Code: 16)

### **Placing of existing shares and subscription for new shares**

**SOLE BOOKRUNNER**



**CITIGROUP GLOBAL MARKETS ASIA LIMITED**

On 9 May, 2006, the Vendor, the Company and Citigroup entered into the Agreement under which:

- (a) Citigroup agreed to place, on a fully-underwritten basis, the Placing Shares held by the Vendor to independent placees at a minimum Placing Price of HK\$89.00 per Share; and
- (b) the Vendor to apply the net proceeds of the Placing in the subscription of a number of new Shares equal to the number of Shares actually sold under the Placing, and the Company agreed to allot and issue such new Shares to the Vendor.

The Placing Shares comprise a minimum of 89,000,000 Shares and may be increased, at the option of Citigroup, to 111,000,000 Shares.

The net proceeds to be received by the Company, based on the underwritten Placing Price of HK\$89.00 per Share is expected to be approximately HK\$7,833 million if the minimum number of Placing Shares is sold and approximately HK\$9,769 million if the maximum number of Placing Shares is sold. The Company intends to apply such net proceeds in its core property development and investment activities, particularly in Mainland China.

Bookbuilding of the placing has been carried out during Stock Exchange trading hours on Tuesday, 9 May, 2006 and will continue later in the day in Europe and North America. A further announcement will be released once the Placing has been completed.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Vendor will make an application to the Executive Director of the Corporate Finance Division of the SFC for a waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code consequent on its acquisition of the Subscription Shares.

**As the Agreement and the Placing and Subscription thereunder may or may not complete, shareholders in the Company and prospective investors are advised to exercise caution when dealing in the Shares.**

At the request of the Company, trading in the Shares of the Company was suspended on the Stock Exchange with effect from 9:38 a.m. on Tuesday, 9 May, 2006 pending release of this announcement. Application has been made to the Stock Exchange for trading in the Shares of the Company to resume with effect from 9:30 a.m. on Wednesday, 10 May, 2006.

## **PLACING, UNDERWRITING AND SUBSCRIPTION AGREEMENT DATED 9 MAY, 2006**

### **Parties**

- (i) the Vendor, which is a company ultimately owned by a trust in which Messrs Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen are deemed to be interested under Part XV of the Securities and Futures Ordinance;
- (ii) the Company; and
- (iii) Citigroup (as placing agent and underwriter of the Placing).

### **Number of Placing Shares and Subscription Shares**

A minimum of 89,000,000 Shares, representing approximately 3.7% of the Company's existing issued share capital and approximately 3.6% of its issued share capital as enlarged by the issue of the Subscription Shares. A maximum of 111,000,000 Shares, representing approximately 4.6% of the Company's existing issued share capital and approximately 4.4% of its issued share capital as enlarged by the issue of the Subscription Shares.

### **Placing Price**

The underwritten Placing Price is HK\$89.00 per Share, representing (i) a discount of approximately 4.2% to the closing price of HK\$92.90 per Share quoted on the Stock Exchange on 8 May, 2006, the latest trading day prior to the date of the Agreement; (ii) a discount of approximately 1.8% to the average closing price of the Shares of approximately HK\$90.62 per Share as quoted on the Stock Exchange from 28 April, 2006 to 8 May, 2006, both dates inclusive, being the last five trading days immediately prior to the issuance of this announcement.

The Placing Price has been determined after arm's length negotiations between the parties. The Directors are of the opinion that the Placing Price is fair and reasonable and is in the best interest of the Company.

### **Subscription Price**

An amount equivalent to the Placing Price less the commission and other expenses incurred by the Vendor in connection with the Placing and plus any interest earned on the Placing proceeds up to the date of completion of the Subscription. If the minimum number of 89,000,000 Placing Shares is sold at the underwritten price of HK\$89.00 per Share, the gross

proceeds of the Placing would be HK\$7,921 million (the expenses being estimated at HK\$88 million without taking into account the interest earned on the proceeds of the Placing), which results in an estimated Subscription Price of HK\$ 88.01 per Share and estimated total subscription monies of HK\$7,833 million. If the maximum number of 111,000,000 Placing Shares is sold at the underwritten price of HK\$89.00 per Share, the gross proceeds of the Placing would be HK\$9,879 million (the expenses being estimated at HK\$110 million without taking into account the interest earned on the proceeds of the Placing), which results in an estimated Subscription Price of HK\$88.01 per Share and estimated total subscription monies of HK\$9,769 million.

The estimated Subscription Price of HK\$88.01 represents (i) a discount of approximately 5.26% to the closing price of HK\$92.90 per Share quoted on the Stock Exchange on 8 May, 2006, the latest trading day prior to the date of the Agreement; (ii) a discount of approximately 2.9% to the average closing price of the Shares of approximately HK\$90.62 per Share as quoted on the Stock Exchange from 28 April, 2006 to 8 May, 2006, both dates inclusive, being the last five trading days immediately prior to the issuance of this announcement.

### **Rights and ranking**

The Placing Shares will be sold free from all liens, charges, mortgage, security interests, adverse claims, encumbrances, equities, pre-emptive or third party rights of whatsoever nature and together with all rights attaching to them. The placees will receive all dividends and distributions declared, made or paid after 9 May, 2006. The Subscription Shares, when fully paid, will rank equally with the existing issued shares of the Company.

### **Mandate to issue new Shares**

The Subscription Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 December, 2005. Under such general mandate, the Directors are allowed to allot and issue up to 240.1 million Shares. As at the date of this announcement, no Share has been allotted and issued pursuant to such general mandate.

### **Independence of Citigroup and the placees**

Citigroup is placing the Placing Shares with not less than six placees, comprising a range of professional, institutional and other investors in Asia, Europe and North America. Each of Citigroup and the placees (and their beneficial owners) are independent of and not connected and not acting in concert with the Vendor or any person acting in concert with it (as defined in the Takeovers Code). They are also third parties independent of and not acting in concert with the Company and connected persons (as defined in the Listing Rules) of the Company.

### **Completion of the Placing**

The Placing is unconditional. It is expected that completion of the Placing will take place on 12 May, 2006.

## **Conditions of the Subscription**

Completion of the Subscription is conditional on:

1. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares;
2. completion of the Placing; and
3. the Executive Director of the Corporate Finance Division of the SFC granting the Vendor a waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code consequent on its acquisition of the Subscription Shares.

None of the conditions stated above can be waived. If the conditions are not fulfilled within 14 days of the date of the Agreement or such other date as may be agreed between the Company and the Vendor, the Subscription will lapse.

The Company will apply to the Stock Exchange for listing of and permission to deal in the Subscription Shares.

The Vendor will apply to the Executive Director of the Corporate Finance Division of the SFC for a waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code consequent on its acquisition of the Subscription Shares.

## **Completion of the Subscription**

Completion of the Subscription will take place on the second business day after the date upon which the last of the conditions is satisfied, provided that such date is no later than 14 days after the date of the Agreement, or such other date as the Vendor and the Company may agree. If completion of the Subscription takes place more than 14 days after the date of the Agreement, the Subscription would not fall within the exemption under Listing Rule 14A.31(3)(d) and would be subject to the relevant requirements of the Listing Rules regarding connected transactions, including the approval of independent shareholders.

## **Termination events**

The Placing Agreement contains provisions granting Citigroup the right to terminate its placing obligations if it becomes aware that certain events have occurred before 10:00 a.m. on the date of completion of the Placing. These events include (i) any new law or regulation or any change in existing laws or regulations which in the opinion of Citigroup has or is likely to have a material adverse effect on the financial position of the Group as a whole; or (ii) any change (whether or not permanent) in local, national or international economic, financial, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, Hong Kong or the People's Republic of China of a national emergency or other calamity or crisis, the effect of which in the opinion of Citigroup is or would be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith; or (iii) the declaration of a banking moratorium by U.S. or Hong Kong authorities, or any moratorium, suspension or

material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange; or (iv) save for the suspension of dealings in the Shares initiated on 9 May, 2006 in connection with the Placing, any suspension of dealings in the Shares for any period whatsoever, unless with prior written consent of Citigroup; or (v) any breach of any of the representations, warranties and undertakings by the Vendor and/or the Company set out in the Agreement comes to the knowledge of Citigroup or any event occurs or any matter arises on or after the date hereof and prior to the completion of the Placing which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and/or undertakings untrue, incorrect or misleading in any respect or there has been a breach of, or failure to perform, any other provision of this Agreement on the part of the Vendor and/or the Company which (in any such case) is in the opinion of Citigroup to be material in the context of the Placing; or (vi) any change or any development involving a prospective change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the opinion of Citigroup is so material and adverse as to make it impractical or inadvisable to proceed with the Placing.

If Citigroup exercises its right to terminate the Placing, the Placing will not proceed. Shareholders and investors are advised to exercise caution in dealing in the Shares.

### **Lock-up**

The Vendor has undertaken to Citigroup that (except for the sale of the Placing Shares pursuant to this Agreement) for a period of three months from the date of the Agreement, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of Citigroup.

The Company has undertaken to Citigroup that for a period of three months from the date of the Agreement, the Company will not, except for the Subscription Shares and save pursuant to the terms of the existing employee share option scheme of the Company, (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or

unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of Citigroup.

## EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholding structure of the Company before and after the Placing and the Subscription (and assuming that the minimum and maximum numbers of Placing Shares are sold under the Placing) is summarised as follows:

### Minimum number of Shares placed

	At the date of this Announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor and parties acting in concert with it (as defined in the Code)	1,124,039,283	46.8	1,035,039,283	43.1	1,124,039,283	45.1
<b>Public shareholders:-</b>						
Placees ( <i>Note 2</i> )			89,000,000	3.7	89,000,000	3.6
Other shareholders	<u>1,278,020,079</u>	<u>53.2</u>	<u>1,278,020,079</u>	<u>53.2</u>	<u>1,278,020,079</u>	<u>51.3</u>
<b>Sub-total</b>	<u>1,278,020,079</u>	<u>53.2</u>	<u>1,367,020,079</u>	<u>56.9</u>	<u>1,367,020,079</u>	<u>54.9</u>
<b>Total</b>	<u>2,402,059,362</u>	<u>100</u>	<u>2,402,059,362</u>	<u>100</u>	<u>2,491,059,362</u>	<u>100</u>

### Maximum number of Shares placed

	At the date of this Announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor and parties acting in concert with it (as defined in the Code)	1,124,039,283	46.8	1,013,039,283	42.2	1,124,039,283	44.7
<b>Public shareholders:-</b>						
Placees ( <i>Note 2</i> )			111,000,000	4.6	111,000,000	4.4
Other shareholders	<u>1,278,020,079</u>	<u>53.2</u>	<u>1,278,020,079</u>	<u>53.2</u>	<u>1,278,020,079</u>	<u>50.9</u>
<b>Sub-total</b>	<u>1,278,020,079</u>	<u>53.2</u>	<u>1,389,020,079</u>	<u>57.8</u>	<u>1,389,020,079</u>	<u>55.3</u>
<b>Total</b>	<u>2,402,059,362</u>	<u>100</u>	<u>2,402,059,362</u>	<u>100</u>	<u>2,513,059,362</u>	<u>100</u>

*Notes:*

- (1) The table assumes no Shares are issued pursuant to the employee share option scheme of the Company between the date of this announcement and completion of the Placing and the Subscription.
- (2) A placee of the Placing Shares may be an existing shareholder of the Company. The placees are third parties independent of and not acting in concert with the Company and connected persons (as defined in the Listing Rules) of the Company.

## **REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

The Company intends to apply the net proceeds of the Placing in its core property development and investment business, particularly in Mainland China. It will also increase the capital base of the Company and broaden its shareholder base.

The Directors believe the terms of the Placing and the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable. The Directors have considered other fund-raising methods and concluded that the Placing and Subscription was the most beneficial for the Company and its shareholders. The Directors consider that the Placing and Subscription are in the best interests of the Company and its shareholders as a whole. The Company has not conducted any other equity fundraising in the 12 months prior to this transaction.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares of the Company was suspended on the Stock Exchange with effect from 9:38 a.m. on Tuesday, 9 May, 2006 pending release of this announcement. Application has been made to the Stock Exchange for trading in the Shares of the Company to resume with effect from 9:30 a.m. on Wednesday, 10 May, 2006.

## **DEFINITIONS**

“Agreement”	the placing, underwriting and subscription agreement dated 9 May 2006 entered into between the Vendor, the Company and Citigroup in relation to the Placing
“associate”	has the meaning ascribed to it in the Listing Rules
“Citigroup”	Citigroup Global Markets Asia Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Company”	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries



“HK\$”	Hong Kong dollars
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by Citigroup pursuant to the Placing Agreement
“Placing Price”	A minimum of HK\$89.00 per Placing Share
“Placing Shares”	A minimum of 89,000,000 and a maximum of 111,000,000 Shares currently owned by the Vendor
“SFC”	the Securities and Futures Commission
“Share(s)”	share(s) of nominal value of HK\$0.50 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor at the Subscription Price pursuant to the Agreement
“Subscription Price”	The price per Share described in the section headed “Subscription Price”
“Subscription Shares”	new Shares to be subscribed by the Vendor under the Agreement, and which is the same as the number of Placing Shares placed under that Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	has the meaning ascribed to it in the Listing Rules
“Vendor”	Vantage Captain Limited, a limited liability company incorporated in the British Virgin Islands

By Order of the Board  
**LAI Ho-kai, Ernest**  
*Company Secretary*

Hong Kong, 9 May, 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.*



*All the directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement misleading.*

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