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Sun Hung Kai Properties Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 16)

ANNOUNCEMENT

PROPOSED DISPOSAL OF PROPERTIES AND PROPOSED LISTING OF SUN MILLENNIUM REAL ESTATE INVESTMENT TRUST ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Board is pleased to announce the Proposed Disposal, which will involve the sale by the Group of its interests in the Properties to Sun Millennium REIT and repayment by the Property Companies of the Existing Borrowings by way of Sun Millennium REIT providing sufficient funds to pay off the Existing Borrowings. Completion of the Proposed Disposal is expected to take place on the date of Listing.

An application will be lodged with the Hong Kong Stock Exchange for the listing of, and permission to deal in, all the Units to be issued as mentioned herein on the Main Board of the Hong Kong Stock Exchange. The Offering will comprise an offer for subscription by way of a public offer in Hong Kong and an international placement to certain professional, institutional and other investors.

An application for authorisation of Sun Millennium REIT as a real estate investment trust with units to be listed in Hong Kong has been made to the SFC. As at today, no approval for authorisation of Sun Millennium REIT has been given by the SFC.

Sun Millennium REIT is a real estate investment trust proposed to be established primarily to own and invest in a portfolio of office, industrial/office and industrial properties in Hong Kong. Upon completion of the Offering, Sun Millennium REIT will initially own a portfolio of 10 office, industrial/office and industrial properties in Hong Kong. Sun Millennium REIT is proposed to be administered by HSBC Institutional Trust Services (Asia) Limited (as trustee), which is a professional trustee company and is independent of the Group. The proposed manager of Sun Millennium REIT, Sun Millennium Asset Management Limited, is an indirect wholly-owned subsidiary of the Company. The Manager has applied for a Type 9 licence under the SFO for the regulated activity of asset management. Sun Millennium Property Management Limited, an indirect wholly-owned subsidiary of the Company, is proposed to act as property manager of the properties of Sun Millennium REIT, subject to the overall management of the Manager.

It is proposed that the Company will, through its wholly-owned subsidiary, subscribe for up to approximately 36.0% of the total number of Units which will be in issue on completion of the Offering. The Over-allotment Option, if exercised, will be satisfied through transfer of the Units subscribed by such subsidiary of the Company, thereby reducing its percentage holding of the Units to approximately 29.6% (if the Over-allotment Option is exercised in full).

In accordance with the requirements of Practice Note 15 of the Listing Rules, the Board has given due regard to the interests of the Shareholders by requesting the Manager to provide Qualifying Shareholders with Assured Entitlements to a certain number of Units (subject to certain conditions) by way of the Preferential Offering, if the Manager decides to proceed with the Offering and the Listing. The terms of the Preferential Offering are being finalised. Further details of the Preferential Offering, including the number of Units to be issued under the Preferential Offering and the ratio of Reserved Units to existing holdings of Shares, will be announced by the Company as soon as practicable after such details have been finalised.

The register of members of the Company will be closed on the Record Date, i.e. 7 June 2006, for the purpose of determining the Assured Entitlements. No transfer of the Shares may be registered on that day. In order to qualify for the Assured Entitlements, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by no later than 4:00 p.m. (Hong Kong time) on 6 June 2006.

The Offering and the Listing are subject to, among other things, the Authorisation being granted by the SFC and the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Units to be issued under the Offering on the Main Board of the Hong Kong Stock Exchange. **Accordingly, Shareholders and other investors should note that the Proposed Transactions, the Offering and the Listing are dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. The Board has not made a final decision whether or not to proceed, and if so when to proceed, with the Proposed Transactions. If the Offering and the Listing do not proceed for any reason, the Preferential Offering will not be made and in such case no Qualifying Shareholders would be able to subscribe for any Reserved Units thereunder. Therefore, Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.** Further announcement(s) will be made by the Company in relation to the Proposed Transactions if and when appropriate.

INTRODUCTION

Reference is made to the announcement of the Company dated 9 May 2006.

The Board is pleased to announce the Proposed Disposal, which will involve the sale by the Group of its interests in the Properties to Sun Millennium REIT and repayment by the Property Companies of the Existing Borrowings by way of Sun Millennium REIT providing sufficient funds to pay off the Existing Borrowings.

INFORMATION ON THE PROPERTIES

The property interests proposed to be sold to Sun Millennium REIT by the Group include certain of the Group's interests in the following 10 properties which are currently used for office, industrial/office or industrial purposes and are located in either Kwun Tong, Cheung Sha Wan, Tsuen Wan or Kwai Chung:

1. APEC Plaza, a 26-storey industrial building situated in Kwun Tong;
2. Billion Trade Centre, a 25-storey industrial building situated in Kwun Tong;
3. Comet Commercial Building, a 21-storey Grade A office building situated in Cheung Sha Wan;
4. Grand City Plaza, a 16-storey Grade A office/commercial building situated in Tsuen Wan;
5. Infotech Centre, a 22-storey industrial building situated in Kwun Tong;
6. Millennium City 1, the first foothold of the Millennium City commercial development, a cluster of Grade A commercial intelligent complexes situated in Kwun Tong;
7. Millennium City 3, the third phase of the Millennium City commercial development;
8. Millennium Trade Centre, an 18-storey intelligent Grade A office/commercial building situated at Kwai Chung;
9. Peninsula Tower, a 30-storey industrial/office building situated in Cheung Sha Wan; and
10. Times Tower, a 23-storey industrial building situated in Cheung Sha Wan.

Details of the property interests proposed to be sold to Sun Millennium REIT by the Group are being finalised. Further details will be announced by the Company as soon as practicable after they have been finalised.

PROPOSED DISPOSAL

The aggregate consideration payable to the Vendor Companies for the Property Companies will be determined by reference to the valuation of the Properties as at 31 March 2006 as appraised by Savills Valuation and Professional Services Limited and adjusted to account for, among others, the current assets/current liabilities and the Existing Borrowings of the

Property Companies on Completion as well as the amount (if any) by which the final Offer Price exceeds the minimum level of the range of the Offer Price to be stated in the Offering Circular. The consideration payable to the Vendor Companies for the Property Companies has not yet been finalised. Further details of the consideration will be announced by the Company as soon as practicable after they have been finalised.

The Property Companies will be procured to repay the Existing Borrowings to the relevant lenders on Completion by way of Sun Millennium REIT providing sufficient funds to pay off the Existing Borrowings.

The Company will guarantee the performance by each Vendor Company (which is its subsidiary) of its obligations under the relevant sale and purchase agreement for the shares in the relevant Property Company. The Vendor Companies and the Company (as the case may be) will also enter into deeds of tax covenant with Sun Millennium REIT to covenant to make payments to it in respect of certain tax liabilities.

Completion of the Proposed Disposal is subject to fulfilment of certain conditions precedent and is expected to take place on the date of Listing.

INFORMATION ON THE PROPOSED OFFERING AND LISTING

The Offering will comprise an offer for subscription by way of a public offer in Hong Kong and an international placement to certain professional, institutional and other investors (including the Preferential Offering).

The Offering and the Listing will be conditional on, among other things, the following:

1. the Authorisation being granted by the SFC;
2. the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, all the Units to be issued as mentioned herein on the Main Board of the Hong Kong Stock Exchange; and
3. the obligations of the underwriters, under the underwriting agreements to be entered into by the relevant parties in respect of the Offering, becoming unconditional and the underwriting agreements not being terminated in accordance with their terms or otherwise.

The Offering and the Listing are subject to the fulfilment of certain conditions precedent and are dependent on a number of factors. If such conditions are not fulfilled or waived prior to the dates and times to be specified, the Offering and the Listing will not proceed, the Hong Kong Stock Exchange will be notified accordingly and a further announcement will be published by the Company.

An application will be lodged with the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Units to be issued as mentioned herein on the Main Board of the Hong Kong Stock Exchange.

An application for authorisation of Sun Millennium REIT as a real estate investment trust with units to be listed in Hong Kong has been made to the SFC. As at today, no approval for authorisation of Sun Millennium REIT has been given by the SFC.

INFORMATION ON SUN MILLENNIUM REIT

Sun Millennium REIT is a real estate investment trust proposed to be established primarily to own and invest in a portfolio of office, industrial/office and industrial properties in Hong Kong. Upon completion of the Offering, Sun Millennium REIT will initially own a portfolio of 10 office, industrial/office and industrial properties in Hong Kong.

Sun Millennium REIT is proposed to be administered by HSBC Institutional Trust Services (Asia) Limited (as trustee), which is a professional trustee company and is independent of the Group.

The proposed manager of Sun Millennium REIT, Sun Millennium Asset Management Limited, is an indirect wholly-owned subsidiary of the Company. The Manager has applied for a Type 9 licence under the SFO for the regulated activity of asset management.

Sun Millennium Property Management Limited, an indirect wholly-owned subsidiary of the Company, is proposed to act as property manager of the properties of Sun Millennium REIT, subject to the overall supervision of the Manager.

PROPOSED SUBSCRIPTION OF UNITS

It is proposed that the Company will, through its wholly-owned subsidiary, subscribe for up to approximately 36.0% of the total number of Units which will be in issue on completion of the Offering. The Over-allotment Option, if exercised, will be satisfied through transfer of the Units subscribed by such subsidiary of the Company, thereby reducing its percentage holdings of the Units to approximately 29.6% (if the Over-allotment Option is exercised in full). Completion of the Proposed Subscription is conditional upon the obligations of the underwriters, under the underwriting agreements to be entered into by the relevant parties in respect of the Offering, becoming unconditional and the underwriting agreements not being terminated in accordance with their terms or otherwise.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Board considers that the commercial benefits of the Proposed Transactions and the Listing to the Group include utilization of the cash proceeds generated for its operations and new investment opportunities. The Board (including the independent non-executive directors) believes that the terms of the Proposed Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

ASSURED ENTITLEMENTS

In accordance with the requirements of Practice Note 15 of the Listing Rules, the Board has given due regard to the interests of the Shareholders by requesting the Manager to provide Qualifying Shareholders with Assured Entitlements to a certain number of Units (subject to certain conditions) by way of the Preferential Offering, if the Manager decides to proceed with the Offering and the Listing.

Vantage Captain Limited, the controlling shareholder of the Company, has been excluded from being a Qualifying Shareholder in order to allow more Units to be allocated to other Shareholders under the Preferential Offering.

The terms of the Preferential Offering are being finalised. Further details of the Preferential Offering, including the number of Units to be issued under the Preferential Offering and the ratio of Reserved Units to existing holdings of Shares, will be announced by the Company as soon as practicable after such details have been finalised.

Shareholders should note that the entitlement to Reserved Units may represent Units not in a whole multiple of a full board lot of Units, and dealings in odd lot Units may be below their prevailing market price. Entitlements to Reserved Units are not transferable and there will be no trading in nil-paid entitlements on the Hong Kong Stock Exchange. Any Units to be issued pursuant to the Preferential Offering shall be fully paid, ranking pari passu in all respects with other Units to be issued pursuant to the Offering.

CLOSURE OF REGISTER

The register of members of the Company will be closed on the Record Date for the purpose of determining the Assured Entitlements. No transfer of the Shares may be registered on that day. In order to qualify for the Assured Entitlements, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by no later than 4:00 p.m. (Hong Kong time) on 6 June 2006.

The last day of dealing in the Shares cum Assured Entitlements is expected to be on 2 June 2006 and the Shares will then be traded ex Assured Entitlements as from 5 June 2006. However, if the Offering and the Listing are postponed, the Board may then determine another date(s) as the record date for the purpose of determining the entitlements and further announcement(s) will be made to inform the Shareholders and other investors in due course.

NO APPROVAL REQUIRED FROM SHAREHOLDERS

Under the Listing Rules (including Practice Note 15), based on currently available information, the Proposed Transactions do not require the approval of the Shareholders as (i) under Rule 14.07 of the Listing Rules, the Proposed Disposal is not a transaction where any of the percentage ratios is 25% or more and therefore, the Proposed Disposal does not constitute a major transaction or above; and (ii) the Proposed Disposal does not involve a material dilution of interest in a “major subsidiary”.

GENERAL

This announcement is made pursuant to Rule 13.09 and Practice Note 15 of the Listing Rules.

The principal business activities of the Group are property development and investment in Hong Kong and the People’s Republic of China.

The Offering and the Listing are subject to, among other things, the Authorisation being granted by the SFC and the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, all the Units to be issued as mentioned herein on

the Main Board of the Hong Kong Stock Exchange. **Accordingly, Shareholders and other investors should note that the Proposed Transactions, the Offering and the Listing are dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. The Board has not made a final decision whether or not to proceed, and if so when to proceed, with the Proposed Transactions. If the Offering and the Listing do not proceed for any reason, the Preferential Offering will not be made and in such case no Qualifying Shareholders would be able to subscribe for any Reserved Units thereunder. Therefore, Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.** Further announcement(s) will be made by the Company in relation to the Proposed Transactions if and when appropriate.

DEFINITIONS

“Assured Entitlements”	means the entitlements of Qualifying Shareholders to apply for Reserved Units under the Preferential Offering
“Authorisation”	means the authorisation of Sun Millennium REIT by the SFC under section 104 of the SFO, an application for which has been submitted to the SFC
“Board”	means the board of directors of the Company
“Company”	means Sun Hung Kai Properties Limited
“Completion”	means the completion of the Proposed Disposal
“Existing Borrowings”	means, in respect of each Property Company, the aggregate amount of that company’s indebtedness to relevant member(s) of the Group for borrowed monies
“Group”	means the Company and its subsidiaries
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Listing”	means the proposed listing of the Units on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	means Sun Millennium Asset Management Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Offering”	means the proposed initial public offering and placing of Units, comprising an offer for subscription by way of public offer in Hong Kong and an international placement to certain professional, institution and other investors (of which the Preferential Offering forms part)

“Offering Circular”	means the offering circular to be issued by the Manager in connection with the offering for subscription of Units for cash at the Offer Price by way of a public offer in Hong Kong, if the Offering proceeds
“Offer Price”	means the issue price of each Unit in the Offering
“Over-allotment Option”	means the option to be granted by the Company to the joint global coordinators of the Offering to require an indirect wholly-owned subsidiary of the Company to make available up to a certain number of Units, to be offered to investors as part of the Offering solely to cover the over-allotment of Units (if any)
“Preferential Offering”	means the preferential offering to be made to the Qualifying Shareholders for subscription of the Reserved Units at the Offer Price on and subject to the terms and conditions to be stated in the Offering Circular and in the application form relating thereto
“Properties”	means the property interests proposed to be injected into Sun Millennium REIT from the Group, a general description of which is stated in the paragraph headed “Information on the Properties” in this announcement
“Property Companies”	means the relevant members of the Group which are the respective direct owners of the Properties
“Proposed Disposal”	means the proposed disposal by the Group of the Property Companies (which hold the interests in the Properties) to Sun Millennium REIT and repayment by the Property Companies of the Existing Borrowings by way of Sun Millennium REIT providing sufficient funds to pay off the Existing Borrowings
“Proposed Subscription”	means the proposed subscription by the Company, through a wholly-owned subsidiary, for up to approximately 36.0% of the total number of Units which will be in issue on completion of the Offering
“Proposed Transactions”	means the Proposed Disposal and the Proposed Subscription

“Qualifying Shareholders”	means registered holders of Shares, whose names appear on the register of members of the Company at the close of business on the Record Date, other than Vantage Captain Limited (being the controlling shareholder of the Company) or its nominees and registered holders of Shares whose addresses on the register of members of the Company is, on the Record Date, in a place outside Hong Kong and who the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, considers the exclusion of which is necessary or expedient
“Record Date”	means the record date for ascertaining the Assured Entitlements, being 7 June 2006
“Registrar”	means Computershare Hong Kong Investor Services Limited
“Reserved Units”	means a certain number of Units to be offered in the Offering which will initially be reserved for the Preferential Offering
“SFC”	means the Securities and Futures Commission of Hong Kong
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	means holders of Shares
“Shares”	means ordinary shares with a nominal value of HK\$0.50 each in the share capital of the Company
“Sun Millennium REIT”	means Sun Millennium Real Estate Investment Trust, a real estate investment trust proposed to be established under the laws of Hong Kong, and, where the context so permits, includes the companies to be controlled by it
“Units”	means units of Sun Millennium REIT
“Vendor Companies”	means the relevant members of the Group which are the respective vendors of shares in the Property Companies

“%”

means per cent.

By Order of the Board
Sun Hung Kai Properties Limited
Lai Ho-kai, Ernest
Company Secretary

Hong Kong, 23 May 2006

As at the date of this announcement, the Board comprises of 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.

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